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MASTER THESIS

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DEVELOPMENT OF A MARKET SELECTION CONCEPT FOR THE B2B SEGMENT of C.O.W. HANDELS & MARKETING KG

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Graz, 30 October 2017

Declaration of authenticity

I hereby certify that I have written the present thesis independently and without help from any third parties. I have not used any sources other than those which are clearly indicated and have duly provided details of the sources of both direct and indirect quotations. The present piece of work and parts thereof have to date not been presented to this or any other examination board in the same or similar form, nor have they been published. The present version is the same as the electronic version submitted.

Graz, 30 October 2017

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Anton Leber, BSc.

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.

Zusammenfassung

Werbeartikel, von einfachen Kalendern bis hin zu elektronischen Kleingeräten wie USB-Sticks, stellen eine der klassischen und am längsten verwendeten Art von Werbeträgern dar. Die Werbeartikelbranche ist ein lukrativer, aber hart umkämpfter B2B-Markt, wo innovative Ideen den Schlüssel zum Erfolg darstellen. C.O.W. Handels & Marketing KG, Hersteller von Schmuckstücken und Accessoires aus Holz, Leder und Stahl, trat mit der Einführung von Cowstyle Corporate Designs im Jahr 2014 in diesen Markt ein. Nach anfänglichen Erfolgen in Österreich, wurde Zentral- und Osteuropa als profitables Expansionsziel für dieses Segment identifiziert. Jedoch fehlt dem Unternehmen internationale Geschäftserfahrung in dieser Region. Sechzehn Länder wurden als potentielle Markteintrittskandidaten definiert, und diese hohe Anzahl an Auswahlländern erschwert die Selektion des richtigen Ländermarktes zusätzlich. Daher ist das Ziel dieser Masterarbeit, die Entwicklung eines Marktselektionskonzepts für das Cowstyle B2B-Segment sowie die Durchführung einer Marktselektionsanalyse um die attraktivsten Ländermärkte zu identifizieren. Im theoretischen Teil der Arbeit wurden alle relevanten Elemente eines Marktselektionskonzeptes behandelt, um ein theoretisches Markselektionskonzept für Firmen in der Werbeartikelbranche zu generieren. Anschließend wurde im praktischen Teil mit Hilfe der Theorie ein auf Cowstyle Corporate Designs individualisiertes Konzept erstellt. Auswahlkriterien für Ländermärkte wurden selektiert und gewichtet sowie ein vierstufiges Marktselektionsverfahren mit unterschiedlichen Bewertungsmethoden erstellt. Im ersten Schritt wurden alle 16 Länder einem Eliminationsverfahren unterzogen, wobei mit Hilfe des Checklisten-Verfahrens Länder eliminiert wurden, die Mindestvoraussetzungen nicht erfüllten. Die nächsten zwei Stufen bewerteten die verbleibenden Länder anhand von makroökonomischen sowie branchenspezifischen Kriterien mit Hilfe des Punktbewertungsverfahrens. Die besten drei Länder wurden schlussendlich anhand von Expertenbefragungen nach Kriterien der Marktattraktivität, Marktrisiken, Marktbarrieren sowie nach strategischen Vorteilen ein letztes Mal gereiht. Die drei attraktivsten Länder der Analyse sind die Tschechische Republik, Slowenien und Estland. Abschließend wurden konkrete Handlungsempfehlungen definiert sowie die eingesetzten Methoden und Verfahren kritisch diskutiert um die zukünftige Anwendung des Marktselektionskonzepts für Cowstyle zu verbessern.

Abstract

Advertising specialties, from simple calendars to small electronic devices such as USB drives, constitute one of the classic and one of the oldest advertising media. The advertising specialties industry is a profitable but fiercely competitive B2B market where innovative ideas are the key to success. C.O.W. Handels & Marketing KG, a manufacturer of jewellery and other accessories made from wood, leather and steel, entered this market with the launch of its Cowstyle Corporate Designs segment in 2014. After initial success in Austria, the Central and Eastern European (CEE) region was identified as a potentially profitable target for expansion of the segment. However, the company lacks international business experience in this region. Sixteen CEE countries were identified as potential expansion candidates, and this high number makes selection of the right target market even more difficult. Therefore, the goal of this thesis is to develop a market selection concept for the Cowstyle B2B segment for use in the CEE region.

Consequently, a market selection analysis was carried out to identify the most attractive country markets for the segment in this region. In the theoretical part of the thesis, all relevant elements of the market selection concept were illustrated to define the theoretical market selection concept for companies in the advertising specialties industry. In the practical part, a selection concept tailored to Cowstyle Corporate Designs was developed based on the theory in the previous part. Market selection criteria were defined and weighted and a four-stage selection procedure with different evaluation methods was created. The first stage subjected all 16 countries to an elimination procedure using the checklist method to eliminate countries which did not meet specific minimum requirements. The next two stages evaluated the remaining countries based on both macroeconomic and industry-specific criteria using the scoring method. In the last stage, on the basis of qualitative expert interviews, the top three countries from the previous stages were ranked in the categories of market attractiveness, market risks and barriers, as well as strategic advantages. The three most promising countries in this analysis are the Czech Republic, Slovenia and Estonia, in that order. In the final chapters, specific recommendations for action are presented based on the analysis results. Furthermore, the procedures and methods used in the market selection concept are critically discussed to further improve the concept for future use by Cowstyle.

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List of Abbreviations

ASI ....Advertising Specialty Institute

BRS.............................Business Risk Service

B2B ....Business-to-Business

B2C ....Business-to-Consumer

CEE.............................Central and Eastern Europe

CIA ....Central Intelligence Agency

CSR.............................Corporate Social Responsibility

EIU ....Economist Intelligence Unit

EPI ....Environmental Performance Index

EPPA...........................European Promotional Products Association

GDP ....Gross Domestic Product

GWW...........................Gesamtverband der Werbeartikel-Wirtschaft

IMS..............................International market selection

ORI..............................Operations Risk Index

OECD..........................Organisation for Economic Co-operation and Development

POR ....Profit Opportunity Recommendation

PPAI............................Promotional Products Association International

PPP ....Purchasing Power Parity

PRI ....Political Risk Index

PSI ....Promotional Products Service Institute

RF ....Remittance-and-Repatriation Factor

SME ....Small- and Medium Enterprises

WES ....World Economic Survey

1 Introduction

1.1 Introduction to C.O.W. Handels & Marketing KG

C.O.W. Handels & Marketing KG is a manufacturer and trader of leather, steel and wood jewellery and accessories from necklaces to wallets. The company is an Austrian-based SME, founded in 2011 (cf. Rauch 11.04.2016) and headquartered in Graz, Styria. The company's business objective is designing and trading their product lines. The Cowstyle brand under which the products are traded pursues a differentiation strategy with a special focus on customization in the form of personalized engravings. The products are marketed under the industry designations fashion and jewellery and sold in two distinct business segments (cf. Rauch 11.04.2016).

1.1.1 Products

The company carries a variety of jewellery and other accessories primarily made from leather and steel. Products are categorised by type and further designated "for men", "for women" and "for children" (cf. Cowstyle 2016a):

Cowstyle products overview			
	Bracelets	**Necklaces**	**Accessories**
Product types	- slender - wide - magnetic clasp - used line - Maori line - with slogans - feminine line	- leather - steel - dog tags	- leather wallets - leather key-chains - wooden beer coasters - chains - smartphone cases - gift cards

Table 1: Cowstyle product types by segment (cf. Cowstyle 2016a)

These products are offered in standardised designs in different colours, including special designs for particular themes, such as country flag colours. Additionally, buyers can customize bracelets, necklaces and other products with engravings (cf. Rauch 11.04.2016). Production is partially outsourced, with products using leather and steel with intricate designs mostly handled by the company's specialist manufacturing partners. The company's line of wooden products is often manufactured using laser cutting machinery at the company premises in Graz (cf. Rauch, 13.10.2016).

1.1.2 Business-to-business corporate and retail segments

Cowstyle operates in two distinct business segments. The traditional retail segment serves regular private customers who are offered the full range of products available through the company's online store, as well distribution partners such as fashion and jewellery shops (cf. Rauch 11.04.2016).

The second segment is the B2B corporate segment which, in contrast to retail, serves a different audience and a different purpose. This segment targets companies, organisations and institutions rather than individual end consumers, as the products traded business-to-business are specifically customized to a company's corporate design to be used as merchandising articles. Cowstyle's B2B segment is a new development and has been offered to Austrian customers since 2014. The B2B segment is Cowstyle's promotional product selection to be used as marketing mediums by its customers (cf. Rauch 11.04.2016).

Cowstyle B2B corporate product portfolio	
Non-exclusive items (also in retail)	**B2B corporate exclusives**
Leather products • bracelets • cardholders • document cases • gift sets • keychains • money clips • smartphone cases • wallets *Wood products* • beer coasters • keychains *Steel products* • dog tags	*Wood products* • ball-point pens • business cards • certificates • cutting boards • neckties and bow ties • trophies and medals • pictures • postcards • smartphone cases • table cardholders • wallets • tablet cases • wood-encased USB drives • wood-encased power banks

Table 2: Cowstyle B2B corporate product portfolio (cf. Cowstyle 2017c)

B2B corporate merchandising items can be used for give-aways, company anniversaries, trade fair items and for other events where there is a need for such advertising specialties. An example of a typical B2B order would be specially engraved leather bracelets designed for a company which then uses the products as a Christmas present given to its employees or sent to its customers. Goger-Swiss AG is one such example. Goger-Swiss ordered leather bracelets with the logo and slogan of the company, together with a custom-made guarantee-card which had a photo of the Goger-Swiss team (cf. Cowstyle 2017a). Other items

such as wooden ball-point pens are exclusively available for this segment, and the company showcases the total range of B2B corporate items in their "Corporate Designs" product folder (cf. Cowstyle 2017c). The table above shows the specific types of products intended for the B2B market, divided into B2B exclusives and non-exclusives which are also traded in the business-to-consumer (B2C) segment.

1.2 Current situation

With the launch of Cowstyle's "Corporate Designs" segment in 2014, the company effectively entered the market for merchandising products in the category of advertising specialties, i.e. small, convenient items such as key-chains, bags and calendars with a promotional message and/or logo of a company to serve as permanent promotional media (businessdictionary, 2016). According to an industry study by the Gesamtverband der Werbeartikel Wirtschaft (GWW), German businesses spent roughly 3.48 billion EUR on promotional products in 2015 compared to 2.80 billion in 2004, a 20% increase (DIMA Marktforschung 2015, p. 5). In one of the largest promotional products markets worldwide, the United States, the figures are even more promising: in 2015 total promotional product sales amounted to 22 billion USD (20 billion EUR) according to the annual report of the Advertising Specialty Institute (ASI) (cf. Advertising Specialty Institute 2016b). With a total sales increase of 19% between 2011 and 2015 (the last year on record), 2015 represents the fifth consecutive year of growth in the US market.

According to the 2015 Global Impressions Study conducted by ASI, the steady growth of industry sales can be explained by the high cost-efficiency ascribed to advertising specialties in terms of the cost-to-impression ratio which was 0.7 US cents or 0.64 eurocents per impression in 2015, on par with radio spots and online ads (cf. Advertising Specialty Institute 2016a, p. 30). Furthermore, advertising specialties show a brand recognition rate of 85% of respondents (cf. Advertising Specialty Institute 2016a, p. 31). Respondents who received promotional items from advertisers also regarded advertising specialties the highest among all compared advertising mediums, ahead of newspaper, radio, magazine, television, internet and mobile advertising (cf. Advertising Specialty Institute 2016a, p. 31).

1.2.1 Cowstyle B2B corporate internationalisation situation

While Cowstyle B2B "Corporate Designs" are currently offered only in Austria, the company operates its regular retail segment in several European countries through its distribution partners (cf. Rauch 11.04.2016). At present, the company offers its retail product line through approximately 400 stores of distribution partners in seven European Union member states: Austria, Belgium, Germany, Italy, the Netherlands, Spain and Switzerland (cf. Rauch 13.10.2016). Additionally, the company web shop offers the full range of retail items, available for delivery throughout the European Union (cf. Cowstyle 2016a).

Cowstyle's B2B corporate segment represents a potentially significant source of revenue for the company, with high unit orders from single customers in contrast to the smaller quantities ordered by a larger number of retail customers (cf. Rauch 11.04.2016). Additionally, the company can eliminate unnecessary costs by cutting out intermediaries. Because of the high sales potential the company has experienced in Austria and the generally favourable market growth in other countries, Cowstyle naturally has a strong interest in introducing this segment to other nearby national markets as well (cf. Rauch 11.04.2016).

One of the regions Cowstyle plans to expand into with its B2B corporate business is Central and Eastern Europe (CEE). Recently the company made its first steps into the CEE region through a jewellery shop partnership in the Czech Republic, but only with its regular retail segment and on a small scale, not with its B2B corporate segment (cf. Rauch 13.10.2016).

1.2.2 Problem statement: Challenges of market entry in CEE

Since the company has been approached by potential retail clients from the CEE region, they decided to act and first set up partnerships in the Czech Republic in the summer of 2016 (cf. Rauch 13.10.2016). The sales potential for the Cowstyle retail segment in this region may also indicate that there is significant demand for the company's B2B corporate segment there. Consequently, the company is also planning to introduce its Cowstyle B2B corporate in the CEE region in the future.

However, the company currently has virtually no experience in this region as concerns the market for its B2B segment (cf. Rauch 11.04.2016). Cowstyle lacks

information regarding specific sales potential, competition and customer structure and business environment factors for this region. This lack of experience and information makes selecting the most economically promising markets in segment difficult (cf. Rauch 11.04.2016).

The CEE region is a broadly defined term, covering different numbers of countries depending on the source of the definition. Cowstyle considers the following CEE countries as potential targets (cf. Rauch 11.04.2016):

Potential CEE candidates for Cowstyle B2B corporate
Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia
16 countries

Table 3: List of potential target countries for Cowstyle B2B corporate (prepared by the author)

This number of potential target countries further increases the difficulty of choosing a suitable country market for entry in the B2B corporate segment. Since the company has limited resources for international expansion, choosing the right markets from the start is a high priority (cf. Gaston-Breton/Martín 2011, p. 268; Rahman 2003, p. 119). The need for careful selection is even more important for SMEs, as smaller companies may only be able to enter one market at a time. Adding to the challenge of choosing from many countries is the fact that the region's business environment has been unstable since the latest financial crisis (cf. Rusu/Roman 2016, p. 128). The consequences of entering a market and failing to operate profitably there may even compromise further international expansion due to the potentially high costs of the failure (cf. Fuchs/Apfelthaler 2009, p. 268; Rahman 2003, p. 119).

What the company requires to make a market entry decision is a market selection concept which incorporates evaluation criteria, selection procedures and methods relevant to the specific B2B segment of Cowstyle and considers all company-specific and region-specific factors which are likely to influence the performance of Cowstyle B2B corporate in the CEE region. Applying this concept and analysing the specific countries is naturally also necessary to assess the probability of market entry success and profitability for the Cowstyle B2B segment.

1.3 Objectives

1.3.1 Company objectives

The company wants to make use of the high potential of B2B corporate sales to boost growth. From 2014 to 2015 the company achieved a B2B sales growth rate of 300%, increasing annual sales from its introduction year of 2014 from 15,000 EUR to 50,000 EUR in 2015 (cf. Rauch 19.04.2016). In this context of rapid growth, the objectives of the company are as follows:

The company aims to achieve a B2B corporate segment total sales increase of 500% (from 50,000 EUR to 250,000 EUR) by the end of 2020 compared to 2015. To meet this goal, at least 25% (62,500 EUR) of total B2B corporate growth within this time period should be contributed by B2B sales abroad, specifically by CEE sales.

1.3.2 Thesis objective

This thesis aims to develop a market selection concept for Cowstyle B2B corporate, a line of advertising specialty products of the Austrian SME C.O.W. Handels & Marketing KG, for use in the CEE region.

The purpose of this market selection concept is to analyse the 16 CEE-countries listed in table 3 and identify the countries best suited for market entry for Cowstyle B2B advertising specialty products. The underlying goal is to help C.O.W. Marketing & Handels KG make the most profitable market selection decision for first-time entry into the CEE region in the B2B corporate segment and help achieve the company objectives described in section 1.3.1.

1.3.3 Non-objectives

- development of a generally valid market selection concept for all regions and industries
- development of a market entry strategy for one or more countries identified as potential entry markets
- development of a market selection concept for the company's retail segment

1.4 Frame of reference
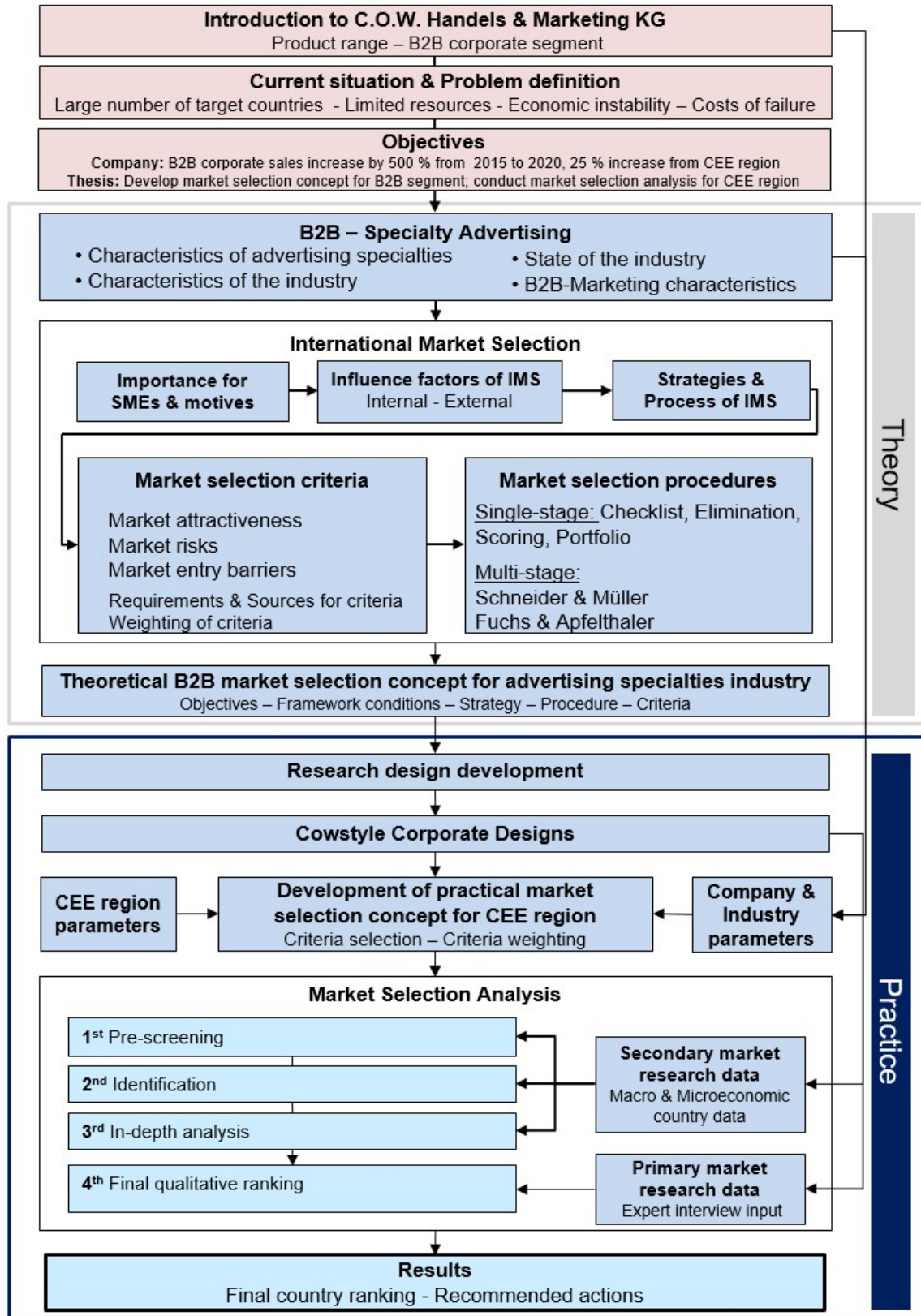
Figure 1: Frame of reference (prepared by the author)

2 B2B Specialty Advertising

Specialty advertising is the use of convenient or decorative items imprinted with the advertiser's logo or message as a marketing communication medium. These items are generally given to the recipient free of charge (cf. Madden/Caballero-Cooper 1992, p. 45). The main objectives of advertisers using this form of advertising are to be remembered when the item is used and to promote goodwill (cf. Nebert 2009, p. 13).

2.1 Characteristics of advertising specialties

The items used for specialty advertising span a wide variety of products. These may be writing instruments, shirts, bags, calendars, desk/office accessories, caps/headwear, drinkware, USB drives, health and safety products and outerwear (cf. Advertising Specialty Institute 2016a, p. 5). Certain characteristics of these items set them apart from other forms of advertising, as described briefly below:

Impact on recipient: Since specialty advertising items are generally given in person they have a high impact on customer relationships and little wasted coverage (cf. Madden/Caballero-Cooper 1992, p. 45). This is true not only in a context where a corporation uses specialty advertising with a B2C audience but also in a B2B context, where specialty advertising items have been used successfully in direct mail advertising (cf. Madden/Caballero-Cooper 1992, p. 45). The usefulness of advertising specialty items is the key factor in item attractiveness (cf. Advertising Specialty Institute 2016a, p. 24).

High acceptance rate: Compared to other forms of advertising, advertising specialties generally have a higher acceptance rate by the recipients (cf. Advertising Specialty Institute 2016a, p. 31).

Cost-effectiveness: Cost-effectiveness in terms of costs per impression of is superior to almost any other kind of marketing medium (cf. Advertising Specialty Institute 2016a, p. 30) because these promotional gifts often do not remain with the original recipient but are given to other people after the original recipient has finished using them (cf. Advertising Specialty Institute 2016a, p. 23).

Versatility: Advertising specialties have a variety of uses (cf. Miller/Lantos 2015, p. 270) and can be used in the following ways (cf. Promotional Products Association International 2015, p. 2):

- business gifts: fostering customer goodwill and retention
- raising brand awareness
- employee relations and events
- trade show articles
- dealer/distributer programs: as incentives, co-op programs
- new customer acquisition
- public relations: fund-raising, sponsorship events
- non-profit programs, e.g. public awareness programs
- employee service awards
- product/service introductions
- customer referral incentive programs
- marketing research

2.2 Advertising specialties industry

After a brief description of the actual products used in specialty advertising this chapter briefly characterizes the advertising specialties industry.

2.2.1 Industry structure

The advertising specialties industry relies on a distinct channel of distribution which includes suppliers, specialty distributors and clients (cf. Miller/Lantos 2015, p. 270).

Suppliers: Manufacturers or suppliers perform the functions of producing, importing and imprinting the products with the advertiser's logo or message (cf. Promotional Product Professionals of Canada no year, p. 3). According to this definition, Cowstyle is a supplier, since production and imprinting are performed in-house. Suppliers publish catalogues to promote their products and showcase them at trade fairs. Suppliers commonly sell to specialty advertising distributors, who then distribute to the clients (cf. Miller/Lantos 2015, p. 270).

Distributors: Specialty distributors perform another task: the development of promotion ideas and programmes to solve marketing problems with creative ideas

using specialty advertising. They act as representatives for the suppliers (cf. Madden/Caballero-Cooper 1992, p. 46). Distributors can have various levels of services which they offer to the clients themselves, from a pure mass-distributor role to full-blown marketing agencies (cf. Nebert 2009, p. 38-47). Distributors often act as a barrier to direct selling by manufacturers to the clients, as distributors and suppliers often belong to the same industry associations through which business is conducted (cf. Miller/Lantos 2015, p. 271).

Clients: Although the specialty advertising item is given to the recipient, in a B2B context the client is regarded as a business client using the item for promotional purposes (cf. Madden/Caballero-Cooper 1992, p. 46). Clients or "promotion buyers" may be companies of all sizes and come from any branch of industry. Among the top industries in terms of spending for advertising specialties in 2016 in the US are educational institutions (schools and universities), the health sector, manufacturing and distribution, the financial and insurance sector, restaurants and the travel and lodging industries (cf. Counselor 2016, p. 67).

Demand: The annual reports of the Promotional Products Association detail the economic development indicators influencing market conditions both for suppliers and distributors of promotional products. The report uses general economic indicators such as the US Industrial Production Index, Purchasing Managers Index, Federal Reserve Bank of Chicago National Activity Index, US Small Business Index and US media spending indicators to forecast the economic outlook for the industry (cf. Promotional Products Association International 2016).

These indicators focus strongly on overall industrial commercial activity, which further indicates that the demand for promotional products is dependent on overall economic activity since small, medium and large companies and organisations are essentially the end users for advertising specialties. This means, as in most B2B businesses, demand depends on the markets connected to the focal market (cf. Pförtsch/Godefroid 2013, p. 25), which in this case is the broader corporate activity in a country.

2.2.2 State of the industry

This section briefly illustrates the state of industry with regard to internationalisation, trends and challenges.

Internationalisation: The advertising specialties industry is a highly internationalised branch with numerous industry associations organised in geographic regions. These associations are a vital source of information for both suppliers and distributors and offer exclusive services for their members such as distributor and supplier directories, relevant news and market research (cf. Promotional Products Service Institute 2016). One such organisation is the Promotional Products Association International (PPAI), an umbrella industry association that was formed in 1904 in the US and currently has over 14,000 members.

Notable in Europe is the Promotional Products Service Institute (PSI), the largest network of suppliers and distributors in Europe with more than 6,000 members (cf. Promotional Products Service Institute 2016). International associations such as those named above are a gateway for suppliers and distributors to one of the most important B2B marketing tools in the industry, i.e. the numerous trade fairs and exhibitions.

The trade fairs are one of the most important marketing channels for acquiring customers (cf. Rauch 13.10.2016). They are international events with large numbers of suppliers and distributors showcasing their offerings. The PSI trade fair involved 988 exhibitors with 18,094 visitors in 2017 with 57% of potential customers coming from around the globe (cf. Promotional Products Service Institute 2017). The fact that more than half of the visitors to the trade fair came from outside Germany (where the trade fair was held) further confirms that the advertising specialties industry is highly internationalised and networked.

Industry sales

The GWW, the leading institution for promotional products in Germany, valued the German market at 3.47 billion EUR in 2015 with a stable outlook for sales growth in the form of a sales increase of 1.16% compared to 2014. Nearly half of all companies surveyed in the industry barometer study confirmed that they use promotional products in their advertising mix (cf. DIMA Marktforschung 2015, p. 12). According to the PSI industry report the same applies the European promotional products market as well, with 76% of suppliers and 67% of distributors questioned in the survey attesting to growing sales figures in 2016 (cf. Promotional Products Service Institute 2017). A similar situation is reported in the US market,

with growing sales figures in 2015 (cf. Advertising Specialty Institute 2016a) at a steady rate of 3.82% in 2015 over total sales in 2014. According to the PPAI's Annual Distributor Sales Summary (cf. Advertising Specialty Institute 2016b) the top 10 product categories of 2015 were:

Top selling categories 2015, US	
(% of total industry sales of 20.8 billion USD)	
1. Wearables	32.04%
2. Writing instruments	7.67%
3. Bags	7.67%
4. Drinkware	7.54%
5. Desk/Office/Business Accessories	5.04%
6. Computer Products	4.17%
7. Recognition Awards/Trophies	4.12%
8. Calendars	3.72%
9. Electronic devices and accessories	3.05%
10. Textiles	2.63%

Table 4: Top selling promotional product categories 2015 (cf. Advertising Specialty Institute 2016b)

Trends

High-tech items and related items have seen increased demand in the promotional products industry since 2015. Promotional items such as cell phone-chargers, flash drives and wearable fitness watches are experiencing increased demand and will continue to become more popular as high-tech technology becomes more readily available at affordable prices (cf. Quality Logo Products, Inc. 2015).

Another trend seen by distributors and suppliers is the **digitalisation of business**, as 44% of distributors identified online competitors as their greatest competitive threat (cf. Counselor 2016, p. 52). Traditional small-scale distributors which do not offer their products through websites are experiencing increased pressure from larger online wholesalers. Furthermore, the use of social media networking is on the rise for distributors and suppliers to generate sales (cf. Counselor 2016, p. 81). Due the increased digitalisation in private life, it is becoming increasingly important for the advertising specialties industry to increase its focus on making services and core band messages digital (cf. Promotional Products Service Institute 2016).

Challenges

Major challenges which the industry has faced in the past years include safety regulation compliance and sustainability regulations. Sustainability and product safety are becoming major topics in the industry and will put pressure on the quality assurance process of all market participants (cf. Promotional Products Service Institute 2016).

2.3 General characteristics of B2B marketing

Cowstyle's corporate segment, for which the market selection concept is being developed, belongs to the category of B2B transactions. These have considerable differences in marketing in comparison to regular consumer or B2C transactions (cf. Pförtsch/Godefroid 2013, p. 23). This section provides a brief explanation of the differences between B2C and B2B marketing.

Market structure: In general, companies operating in B2B industries have a considerably smaller number of individual customers for a given product and these buyers may be concentrated geographically. This is also relevant for competitive factors in marketing as there are fewer suppliers for B2B products than in consumer markets, leading to oligopolistic market structures (cf. Pförtsch/Godefroid 2013, p. 24).

Products: The products offered on the B2B market may be, from a technical point-of-view, highly complex and therefore require additional consulting services offered by the seller. Customised products, services and service packages are also commonplace. However, it must be noted as well that products sold in the B2C marketplace may also be distributed on the B2B level, meaning that the level of product complexity is not necessarily high for all B2B products.

Customer behaviour: A considerable difference from B2C operations is seen in the buying behaviour. Organisations show vastly different buying behaviour from private consumers. For one, purchasing decisions are based almost exclusively on rational considerations, with less emotional involvement compared to the regular B2C customer. A further variable to consider is that the purchasing decision is often not taken by one individual but by several members of an organisation (cf. Kleinaltenkamp et al. 2015, p. 182).

Demand: B2C demand is a factor which depends not only on exogenous variables but can be directly influenced by a single organisation, while demand for B2B products is almost exclusively dependent on the objectives of the customer organisations. Therefore, demand can hardly be influenced by a single organisation operating in the B2B segment and depends on the economic situation of its customers (cf. Pförtsch/Godefroid 2013, p. 25).

Distribution channels: In many cases the number of distribution stages is much lower than B2C business, meaning that direct distribution to the final customer is more common (cf. Pförtsch/Godefroid 2013, p. 25).

Prices and business terms: Due to the lack of transparency in B2B markets, setting prices for products and services is subject to higher customer pressure, making price negotiations a more common occurrence than in the B2C domain (cf. Pförtsch/Godefroid 2013, p. 25).

Communication: There are clear differences in customer communication. Impersonal communication tools as used in classic advertising are less important than personal selling (cf. Pförtsch/Godefroid 2013, p. 25). This is also true of the advertising specialties industry, as trade fairs and personal contact are the most important forms of marketing communications (cf. Rauch 13.10.2016)

2.4 Chapter summary

This chapter has provided insights into what advertising specialties are, how this B2B industry is organised and the current status quo of the industry is, and briefly described the main differences between B2C and B2B marketing. The industry is characterised by a distribution channel structure with well delineated suppliers, distributors and clients which have clearly defined responsibilities in the value chain.

The dependency of industry sales on key indicators and key customer segments is illustrated, as well as trends and challenges such as digitalisation and stricter product safety regulations. The characteristics of B2B marketing, some of which also apply to the advertising specialties industry, are also highlighted. All these insights are of great importance for the practical application of a market selection concept, as these industry-specific characteristics influence major elements of

market selection such as market selection criteria (cf. Stahr 1993, p. 43). These are considered in the practical section of this thesis.

3 International Market Selection

The international marketplace has changed drastically for most enterprises in recent decades with markets being opened to foreign competition. Liberalisation of markets and the convergence of customer preferences worldwide have put companies in all industries in a more complex business environment, requiring strategies adequate to deal effectively with ever-changing market conditions (cf. Etemad/Wright, 1999 p. 4).

International market selection is one of the most important steps in internationalisation, as it serves to identify target markets with an optimal balance between market attractiveness and market risk (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 162-163). Goods and services offered by B2B companies are generally geared towards international markets because, as has become evident in recent decades, regional markets have become more interdependent and integrated through the rise of trade blocs such as the European Union, NAFTA and MERCOSUR (cf. Pförtsch/Godefroid 2013, p. 375). This shift and the heightened competitive pressure from abroad also affect small and medium B2B companies, which face greater challenges in internationalisation than large corporations (cf. Pförtsch/Godefroid 2013, p. 375).

3.1 Importance of international market selection (IMS) for SMEs

The growing competitive pressure affects small and medium enterprises (SMEs), which are restricted in internationalisation in ways that the larger players are not. Limited financial resources, a lack of management and personnel skills and insufficient experience in international business are among the reasons why SMEs are not represented as prominently in international markets (cf. Mugler 1995, p. 21). As a consequence, SMEs rely on export strategies rather than direct investment forms of market entry for internationalisation (cf. Becker/Ulrich 2011, p. 64).

Internationalisation poses a particular challenge for SMEs since they face constraints regarding resources, knowledge and access to international markets (cf. Etemad/Wright 1999, p. 9). International market selection in small firms is often based on a limited amount of information and highly influenced by the business owners' personal goals (cf. Marchi et al. 2013, p. 2201). In practice, it is observed

that companies often base their market selection decisions on few rational criteria and instead make the target market decision based on the geographic distance to the market, similarities in spoken language in the home market or perceived high sales potential. This often leads to poorly chosen entry markets (cf. Fuchs/Apfelthaler 2009, p. 270).

Due to the constraints of SMEs, a strategic, systematic approach to market selection is even more important (cf. Czinkota et al. 2009, p. 253). As the purpose of market selection is to pursue a company's strategic objectives internationally (cf. Neubert 2011, p. 34), the process is of course dependent on the motives and objectives of the company in its internationalisation efforts. These motives are illustrated in the following sections, which describe the drivers for internationalisation and market selection.

3.2 Internationalisation motives

The motives of internationalisation are the starting point of the strategic internationalisation process. Motives for internationalisation are a key influence on international market selection for B2B companies since the motives for internationalisation also determine the objectives which companies pursue in the international market space (cf. Fuchs/Apfelthaler 2009, p. 278).

As a general goal, finding new customers or following key customers abroad is common to most internationalising companies. While the pursuit of sales is one of the most frequent motives for internationalisation (cf. Root 1998, p. 1), the goal of customer acquisition is also pursued for various underlying reasons other than simply increasing profits. There are multiple methods for describing and categorising these motives in the literature, and these are described briefly below.

Macharzina and Wolf (2015), for example, view motives for internationalisation in terms of their economic and non-economic, defensive and offensive, resource-focused, production-focused and sales-focused aspects.

Economic and non-economic motives: Internationalisation efforts are considered economic if the company's primary internationalisation goal is generating profit and achieving growth targets, which is a major objective for most companies (cf. Becker/Ulrich 2011, p. 62), or offsetting fluctuations in the home

market or other foreign markets. Non-economic motives in this classification are the pursuit of prestige, a better company image and increased power and influence (cf. Macharzina/Wolf 2015, p. 916).

Defensive and offensive motives: Offensive motives are reasons for internationalisation which are proactive rather than reactive, meaning that a company actively seeks strategic change (cf. Czinkota/Ronkainen/Zvobgo 2011, p. 257). Defensive motives describe reasons for internationalisation arising out of the company's need to respond to specific pressures in the business environment. These circumstances may include increased competitive pressure in the home market, slowing growth in the home market or unused production capacity (cf. Czinkota/Ronkainen/Zvobgo 2011, p. 258).

Resource-, production- and sales-focused motives: A further categorisation of internationalisation motives divides them based on the business activities of sourcing, production and sales. Resource-focused motives include internationalisation efforts which aim to secure low-cost raw materials or labour, while production-focused motives pursue international expansion to benefit from lower production costs abroad by using learning effects in production. Sales-focused motives relate to the desire of companies to increase sales volume by serving markets other than the home market (cf. Macharzina/Wolf 2015, p. 916-917).

3.3 Influencing factors of international market selection

International market selection (IMS) is a complex subject due to the differences in management and marketing compared to home market business operations (cf. Backhaus/Büschken/Voeth 2003, p. 51). IMS is inherently difficult in practice because foreign markets differ significantly in the dimensions which influence the business environment (cf. Papadopoulos/Martín Martín 2011, p. 133-135).

The literature describes these dimensions by classifying them into categories such as global framework conditions, industry/competitive factors and company-specific factors (cf. Root 1998, p. 8-15). For simplicity's sake, the author aggregates these factors into two major categories: company-internal and company-external factors. These factors must be taken into consideration when developing a B2B market selection concept and are therefore illustrated below.

International market selection influence factors	
Company-internal factors	**Company-external factors**
Strategic orientation	**Industry factors**
▪ ethnocentric	▪ industry structure
▪ polycentric	▪ competition
▪ geocentric	▪ suppliers
Resources	▪ customer dimension
▪ financial	▪ demand behaviour
▪ human	**Global framework conditions**
▪ productive	▪ economic
Product readiness	▪ political-legal
Miscellaneous factors	▪ socio-cultural
▪ organisation size	▪ geographic
▪ organisation age	

Table 5: Influence factors in international market selection (based on Root 1998, p. 8-15)

3.3.1 Company-internal influence factors

Company-internal influence factors of internationalisation and market selection are those that come from within an organisation. These include the company-specific situation, strengths and weakness, resources and other factors which impact the performance in foreign markets (cf. Root 1998, p. 14). These factors also play a significant role in the market selection process (cf. Stahr 1993, p. 75) and are therefore detailed in this section.

One way of describing company-internal factors is to classify them into strategic factors, resource factors and other miscellaneous factors (cf. Fuchs/Apfelthaler 2009, p. 276). Other literature adds additional internal factors such as product characteristics and product readiness (cf. Root 1998, p. 45). The following description of company-internal factors in IMS is based on these works and divides the company-internal factors into strategic orientation, resource, product and miscellaneous factors.

Strategic orientation

One company-internal factor which influences the decisions made in the international market selection process is the strategic orientation of the company,

i.e. the attitude towards international management. These management approaches manifest themselves in three distinct types:

The **ethnocentric** orientation is characterised by a high focus on the home market, meaning that these companies try to copy their operations in the home market with the same, unchanged products in a foreign target market. Ethnocentric companies will also concentrate on their home market rather than expanding abroad. **Polycentric** management is the diametric opposite of the ethnocentric type. Polycentric companies accept the international differences and are willing to adapt business operations to the external circumstances prevalent in the foreign market (cf. Meffert/Bolz 1998, p. 27). The **geocentric** approach differs from the other two approaches in that the company does not make a distinction between geographically dispersed markets but sees their target market as the global market. The aim is to standardise operations, improving cost-efficiency, while adaptations to specific country requirements are secondary priorities (cf. Meffert/Bolz 1998, p. 27).

Resources

Any internationalisation effort includes the commitment of valuable resources, which are often scarce, especially for small- and medium-sized enterprises (cf. Fuchs/Apfelthaler 2009, p. 158). They may either promote or restrict a company in its operations, and a lack of resources may hinder expansion efforts abroad. A lack of resources is often named as a major factor in failed internationalisation projects. Furthermore, once a market entry decision has been made, there is a considerable commitment of these resources necessary not only at the beginning of entry but throughout the duration of international operations (cf. Wolf 2009, p. 31).

Resources can be divided into different types, including financial, human, technological and production resources (cf. Schollhammer 1989, p. 1961-1967). Differences between country markets and the chosen market entry mode also influence the degree of resources necessary to effectively operate in a specific foreign market and therefore also have an impact on the international market selection decision (cf. Büter 2010, p. 144):

- **Financial resources** play a key role in internationalisation efforts because internationalisation may require substantial amounts of resources for tasks such as starting operations or compensating for customer risk, which can be higher abroad (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 37).

- **Human resources** in terms of quantity and quality act both as constraints and as critical success factors for international business. Regarding international experience, an intangible resource, a company with such employees may be more successful internationally (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 38). The available sales staff is also of importance to a B2B company since personal selling is more important in B2B marketing than in B2C operations (cf. Pförtsch/Godefroid 2013, p. 25).

- **Production capacities**, from a constraint viewpoint, must be available as well to accommodate the additional demand for a company's product in foreign markets (cf. Stahr 1993, p. 46). In B2B scenarios companies follow their customers abroad, and depending on procurement and production it may also be necessary to relocate old or establish new production facilities abroad to be closer to the customer (cf. Pförtsch/Godefroid 2013, p. 392).

Product characteristics/readiness

The characteristics of products, such as standardisation and adaptation potential, product lifecycle and product quality influence the product's readiness for internationalisation and the ability of products to be successfully marketed in a foreign market (cf. Root 1998, p. 25-27). Depending on the degree of product readiness, the selected foreign target markets may also differ, e.g. specific products may be marketed at higher prices in some countries than in others (cf. Stahr 1993, p. 32).

Miscellaneous factors

Relevant company-internal factors which do not fit into either of the two previous categories are the size and age of the organisation. An organisation's age, for instance, may influence the degree of experience the staff possess or the degree

of flexibility it must have to survive in rapidly changing international market conditions (cf. Fuchs/Apfelthaler 2009, p. 284-285).

3.3.2 Company-external influence factors

The other type of influences are external factors, which include the general framework conditions, or macro-environment, for business and the specific framework conditions within an industry, or the micro-environment (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 19). As these aspects together constitute the business environment, they are also key factors in determining the attractiveness of entry for a company. The country-specific factors influencing all industries and businesses are as economic, political-legal, socio-cultural and geographical, which are collectively called the global framework conditions (cf. Berndt/Altobelli/Sander 2009, p. 20).

Industry-specific factors

Industry factors are the environmental factors which impact internationalising companies in a specific industry branch, including elements such as the industry structure, competitors, suppliers and customers. All these variables can have an impact not only on the marketing mix but also on strategic decisions such as market selection, as they influence the micro-environment in which the company operates (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 30-36).

The **industry structure** refers to framework conditions under which all companies within an industry operate. Elements of industry structure include whether the market is characterised by a monopoly, oligopolies or a polypoly depending on the number of suppliers and customers, the presence of market entry barriers and the intensity of competition (cf. Root 1998, p. 8-9). In B2B marketing the attributes of distribution channels influence business tremendously, as the density, length, exclusivity and quality of distribution channels determines how an internationalising company can gain access to markets, and also influences costs (cf. Pförtsch/Godefroid 2013, p. 393-395).

Another variable to be considered is **competition** itself. An extensive competition analysis is necessary to identify competitors and assess their strengths and weaknesses and strategic orientation. Furthermore, in the context of international

business, the degree of internationalisation of competitors also impacts the relative competitive strength of the company in question (cf. Meffert/Bolz 1998, p. 60). It is also worth noting that the degree of internationalisation is often higher for B2B-focused companies as they operate within highly integrated value chains (cf. Kleinaltenkamp et al. 2015, p. 130).

Analysis of local **suppliers** is a necessary step for companies planning to invest in local manufacturing/production. Since companies may keep production centralised they may also seek global sourcing advantages. Lower costs for raw materials, prices and supplier conditions may represent a selection criterion for these resource-seeking companies (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 35)

The **customer dimension** is arguably one of the most important industry-specific factors, as the customers have a direct impact on market attractiveness. With regard to customers a distinction must be drawn between B2C and B2B business because different factors come into play when organisations buy compared to private consumers. Furthermore, identifying members of the so-called buying centre within target organisations is a difficult but crucial task in B2B marketing to address the right member with the right offering (cf. Kleinaltenkamp et al. 2015, p. 182).

Global framework factors

The global framework factors constitute the macro-environment of international business. These economic, political-legal, socio-cultural and geographic factors influence international marketing and therefore market selection for a company (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 19). The manifestations of these global framework factors can differ in each country market. These factors also influence the potential attractiveness, risks and entry barriers of country markets.

Economic factors: The overall economic situation of a country is important for international market selection (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 24). These factors may include population size, national income levels, inflation, purchasing power, interest rates and unemployment rates (cf. Czinkota/Ronkainen/Zvobgo 2011, p. 77-90).

Political-legal factors: Political and legal framework conditions within a country market are relevant criteria for all B2B companies as they have a direct effect on international marketing (cf. Czinkota/Ronkainen/Zvobgo 2011, p. 118). Factors such political stability, the economic system, and policy actions such as tariff and non-tariff trade barriers may represent serious business risks (cf. Czinkota et al. 2009, p. 89-102). Measures originating from national politics and legislative action can have a more direct impact on business. For example, there may be imposed import quotas restricting the quantity of goods imported, which can have especially severe consequences for companies pursuing an export strategy (cf. Root 1998, p. 10). Furthermore, product and technical standards and minimum requirements imposed by local authorities may also restrict the manufacturing or selling of products, which can be highly relevant for B2B companies (cf. Pförtsch/Godefroid 2013, p. 390-391).

Another feature to consider for country market selection is the dominant legal system in a country. A country's legal system and legal security have a significant impact on business practice and are therefore of great importance for internationalising companies (cf. Czinkota/Ronkainen/Zvobgo 2011, p. 130-131).

Socio-cultural factors: Traditions, language and history affect the personal business relationships which are so important in B2B marketing (cf. Pförtsch/Godefroid 2013, p. 389). A positive country-of-origin effect may also have an effect in the case of products from a country generally perceived to manufacture high-quality items (cf. Czinkota/Ronkainen/Zvobgo 2011, p. 313).

Geographic factors: In the literature, geographic factors of internationalisation include climate, topography, natural resources and infrastructure (cf. Meffert/Bolz 1998, p. 52). These have consequences for business and the international market selection decision. Geographic distance may be a decision criterion for B2B companies since distance to market also influences costs for transportation and reachability of customers (cf. Brennan/Canning/McDowell 2014, p. 142).

3.4 International market selection strategies

International market selection is, as mentioned earlier, a strategic decision (cf. Kutschker/Schmid 2011, p. 955) and therefore various types of strategies are pursued by companies. This section illustrates these strategic approaches to

international market selection as described in the literature to better understand the procedures, methods and criteria used in international market selection. These topics are addressed in more detail in chapters 4 and 5.

3.4.1 Active vs. reactive market selection

Reactive market selection generally takes place when companies select target markets based on existing customer relationships, essentially following their customer abroad. This is a frequently taken approach in B2B business. Active market selection is pursued by companies which select markets not based on existing customer relationships but rather on the profit potential of a target market (cf. Neubert 2011, p. 91).

Another way of categorising market selection strategies is as follows (cf. Neubert 2011, p. 92-96):

- Experience-based market selection

- Option-based market selection

- Market research-based selection

3.4.2 Experience-based market selection

In this strategic approach to market selection, companies try to locate markets which show similar business framework conditions, such as culture and language, to their home market. Country markets are thus gathered into clusters with similar characteristics. This makes sense from a risk management viewpoint, as the company faces lower market risk in a country where conditions are similar and already known (cf. Neubert 2011, p. 93). A company pursuing this strategy consequently enters markets successively in proximity to its home market. This is proposed by internationalisation theories such as the Uppsala-model which postulates that cultural distance influences market selection decisions (cf. Root 1998, p. 11).

3.4.3 Option-based market selection

In contrast to experience-based market selection, in option-based market selection companies act in response to events and changing situations leading to business opportunities within the company's environment (cf. Neubert 2011, p. 94). Relevant criteria other than market attractiveness include synergies associated with market entry, such as economies of scale. There are several factors which can lead to opportunity-based market selection decisions. The so-called international opportunity analysis (IOA) is a tool used in this strategy, as its aim is to identify attractive markets with good opportunities (cf. Papadopoulos, Martín Martín 2011, p. 137).

Neubert (2011) names the following possible factors:

- Employees with knowledge about language, culture and market conditions of a foreign country

- Opportunities created by historical events such as the creation of free trade zones

- Following cooperation partners into foreign markets to copy the successful business relationship established in the home market to other markets, reducing the market risk for both parties

Option-based market selection strategies enable companies to use opportunities which present themselves in the company's environment; however, this strategic approach bears the risk of a subjective and superficial market analysis, which in turn can threaten the entire internationalisation strategy (cf. Neubert 2011, p. 95).

3.4.4 Market research-based selection

Finally, Neubert (2011) describes market research-based selection as a systematic approach to selecting the most attractive foreign markets. This involves a multi-stage analysis, acting like a filter for viable country markets, which reduces the number of potential target markets at each stage and is therefore suited for analysis of a larger number of countries (cf. Neubert 2011, p. 96).

An advantage of market-research based selection is that it makes use of objective market and country factors to arrive at a decision (cf. He/Lin/Wei 2016, p. 918). This approach is also capable of including criteria for market selection which are central to the experience and option-based market selection approaches (cf. Neubert 2011, p. 97). Furthermore, there is evidence that a systematic approach to international market selection yields better company performance among SMEs (cf. Brouthers/Nakos 2005, p. 375).

3.5 Process of international market selection

Selecting appropriate target markets through market research is a step embedded in the entire process of international market entry (cf. Fuchs/Apfelthaler 2009, p. 269). In a systematic international market entry, important internal questions are answered before any potential target markets are considered. By determining corporate readiness to internationalise, companies determine whether they possess the necessary resources to go abroad at all before making the decision to do so.

1. "Corporate Readiness"

2. "Product Readiness"

3. "Target Market Selection"

4. "Entry Mode Choice"

5. "Planning of the Marketing Mix" and "Implementation"
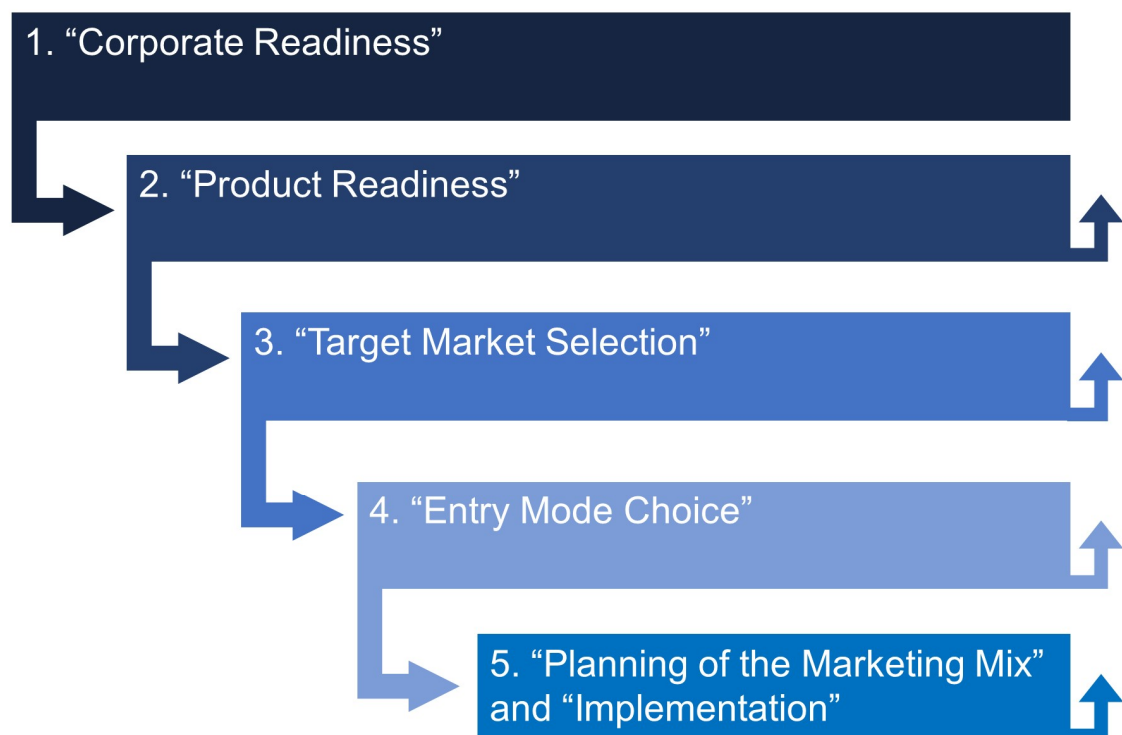
Figure 2: Strategic international market entry process (based on Fuchs/Apfelthaler 2009, p. 273)

Next, companies should decide which products are suited for positioning on the foreign market (cf. Fuchs/Apfelthaler 2009, p. 273). Based on these previous

steps, appropriate target markets are selected through analysis of relevant factors regarding the markets. After one or more countries have been identified, a fitting market entry mode must be chosen, and lastly, in the implementation phase, targets, strategies and individual implementation steps are formulated (cf. Fuchs/Apfelthaler 2009, p. 274).

3.6 Chapter summary

This chapter illustrates key factors influencing internationalisation and thus the international market selection decision. The importance of market selection for SMEs and international business in general is briefly discussed with a particular focus on the fact that systematic market selection is a prime issue for SMEs. The motives of internationalisation are one significant factor in strategic international business decisions, as they influence the strategic objectives pursued by companies in the global marketspace (cf. Macharzina/Wolf 2015, p. 916).

Furthermore, the specific influence factors of internationalisation and market selection are discussed extensively. International business is affected by a multitude of aspects which shape the business environment of the company. These factors may come from outside the sphere of influence of a company or may be internal factors such as resources, strategic orientation and product readiness. The external factors are comprised of the macro-environment, including political, legal, socio-cultural, economic and geographic factors, while the micro-environment encompasses the market forces of a specific industry (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 19). These factors need to be noted as they are important parts of the attractiveness of markets for entry (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 164).

Finally, companies pursue different strategies of market selection, and these strategies have an impact on the criteria based on which the market selection decision is made and the process of market selection is conducted. As described, international market selection requires relevant criteria, procedures and methods to be chosen for evaluation. These are addressed in more detail in the following chapters.

4 International Market Selection Criteria

After a review of the international market selection influence factors, strategies and the market entry process, this chapter describes the first essential element of systematic international market selection, the relevant criteria in which target countries are evaluated and compared. It is worth noting here that, unlike in B2C marketing, criteria related to the population, such as demographics and behaviour of private consumers, are not applicable in B2B business. Rather product- and process-specific criteria should be focused on (cf. Pförtsch/Godefroid 2013, p. 387).

Country market selection is based on company- and situation-specific criteria, meaning that the criteria used in market selection differ depending on the needs of the company in question. Specifically, criteria differ for companies depending on the following factors (cf. Stahr 1993, p. 43): **industry and product, company-specific factors, strategic orientation** and **market entry mode**.

The literature consistently identifies three main categories of market selection criteria (cf. Kutschker/Schmid 2011, p. 956; Stahr 1993, p. 31):

- **Market attractiveness**
- **Market risks**
- **Market entry barriers**

These three categories are affected by the company-internal and external factors of international market selection and may also include criteria from these dimensions.

First, this chapter explores evaluation criteria in the categories of market attractiveness, market barriers and market risks, before illustrating the possible methods and procedures for international market selection. Naturally, these criteria categories alone do not enable a company to make a sound market selection decision; however, they are of high importance, as indicated in the literature (cf. Kutschker/Schmid 2011, p. 956), and are thus treated in more detail in the following sections.

4.1 Market attractiveness

The attractiveness of a country market is defined as the existing value potential for the company looking to internationalise (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 165).

Market attractiveness is comprised of the following criteria (cf. Stahr 1993, p. 31):

- Market volume
- Market growth
- Market structure
- Price structure
- Cost structure
- Procurement situation
- Infrastructure

These market attractiveness criteria are dependent on company needs and are therefore selected subjectively. Since B2B markets are non-transparent, market volume can only be determined via derived demand variables (cf. Pförtsch/Godefroid 2013, p. 25). The above-mentioned criteria are briefly illustrated in section 4.1.1. according to Stahr's definitions (cf. Stahr 1993, p. 31-33).

4.1.1 Elements of market attractiveness

Market volume is the total number of products which can be sold within a given time period. This measure can be derived from the market supply ratio of a country. The volume may also be defined by the number of customers for a company's products (cf. Stahr 1993, p. 31). For B2B companies the size of the customers themselves is also a key element for achievable market volume, as larger companies will generally procure greater volumes of product (cf. Brennan/Canning/McDowell 2014, p. 143).

Market growth is defined as the increase of the market volume as a percentage within a given period (cf. Stahr 1993, p. 31).

Market structure is the relative number of small, medium and large customers as well as the amount of sales per customer within a country market (cf. Stahr 1993, p. 31).

The *procurement situation* illustrates how companies procure raw materials and components for production, as well as the prices for procurement. The relevance of this element is naturally dependent on the market entry mode (cf. Stahr 1993, p. 43).

Price structure describes the range of prices which have been charged in the past, are charged currently, and may be charged in the future for a given product which satisfies the same or similar needs in a foreign country market (cf. Stahr 1993, p. 32). Backhaus (2003) argues that internal factors such as production cost advantages and cost-efficient procurement sources are equally important for companies. In B2B markets price-setting can be highly diversified because of a lack of market transparency, price negotiations being common than in most B2C markets and the importance of price increases with a decreasing degree of product differentiation (cf. Pförtsch/Godefroid 2013, p. 212-217).

Infrastructure may be an important factor considering available transport systems and road conditions which also influence costs (cf. Root 1998, p. 10).

Market attractiveness as a market selection criteria may seem to be the most important of all three categories of evaluation criteria as it implies the profit potential for a company. In international market selection several key factors must be taken into consideration for B2B markets, as has been illustrated.

4.1.2 Market attractiveness in the B2B advertising specialties sector

Based on the information presented in chapter 2 regarding the advertising specialties sector, it is evident that the industry-specific criteria for market attractiveness for the B2B-segment of Cowstyle must be focused on statistical data related to the presence of prominent B2B customers such as financial institutions and educational institutions, as well as national statistical economic data, including overall advertising expenditures. Other indicators which reflect the potential demand for the advertising specialties industry are the number of advertising specialties distributors and advertising costs. Regarding the importance of trade fairs as marketing communication tools in the advertising specialties industry (cf. Rauch 13.10.2016), the presence of these events in CEE countries may also indicate higher market attractiveness.

4.2 Country market risks

Country market risks exist because of economic, societal and political developments in a country and may pose a significant threat for business (cf. Meissner 1995, p. 96). Risk analysis and evaluation of country risks is indispensable for a sound international market selection concept as the magnitude of risk in foreign markets may differ considerably from the well-known home market conditions. It is essential before any market entry decision to identify, analyse, quantify and evaluate such risks, which in turn can be used directly as market selection criteria (cf. Root 1998, p. 32) for pre-screening countries.

Numerous concepts exist for the evaluation of specific country risks and these are used extensively in practice (cf. Neubert 2011, p. 130). The following sections first illustrate the political and economic/commercial risks before describing known ways of measuring risk.

4.2.1 Political risk

Political risk means the possibility of losses experienced by a company due to developments in the political or legal structures of a country in which the company is invested (cf. Czinkota et al. 2009, p. 103). Political risks can be caused either directly by intentional political action or may be outside the control of a ruling government (cf. Czinkota/Ronkainen/Zvobgo 2007, p. 126). Political risks come from unforeseen developments in socio-political structures and legal practices and affect all businesses operating in a foreign country. The following list of risk types is based on the works of Meissner (1995), Meffert and Bolz (1998) and Kutschker and Schmid (2011):

List of political risk	
Risk type	**Explanation**
Risks of expropriation	The danger of partial or total expropriation of a business in a foreign country through nationalisation
Conversion and transfer risk	The danger of governments prohibiting or delaying the transfer of profits or payments in foreign currency
Inhibition of business practice	Hindering business through political action, social unrest or wars
Substitution risk	The danger of local governments replacing imports with local production
Fiscal risks	Risks resulting from the monetary and fiscal policies of a country
Security risks	Risks for employees and associates in the foreign country regarding their health, freedom and physical safety
Legal risk	Risk that business-relevant laws and regulations are different from home country laws and regulations and may change over time to the disadvantage of the company

Table 6: List of political risks (based on Kutschker/Schmid 2011, p. 957; Meffert/Bolz 1998, p. 69; Meissner 1995, p. 96)

4.2.2 Economic/commercial risks

Economic risks stem from changes in economic variables in the country. These economic variables may include national economic growth, national credit rating, development of inflation rates and other factors which influence the business climate (cf. Stahr 1993, p. 32). Commercial risks encompass the specific risks associated with business partners abroad, such as the default of payment (cf. Meffert/Bolz 1998, p. 69). Regarding an export strategy, exchange rate risk has also been named as a risk factor (cf. Alexander/Rhodes/Myers 2010, p. 186).

List of economic/commercial risks	
Risk type	**Explanation**
Payment risk	Risk of default on payment by a business partner abroad
Exchange rate risk	Danger of financial losses for a company due to unfavourable developments of the exchange rates when using different currencies
Transport risk	Danger that products sold do not arrive or arrive late or at the wrong destination and risk of damage or loss of goods in transit
Market risk	The risk that the market volume and economic situation do not match the initially predicted conditions
Price development risk	The possibility that prices change while business is conducted, possibly resulting in losses for the company entering a market
Risk of non-acceptance of goods	Risk of the business partner refusing to accept the goods on arrival.

Table 7: List of economic/commercial risks (based on Kutschker/Schmid 2011, p. 957; Meffert/Bolz 1998, p. 69; Meissner 1995, p. 96)

4.2.3 Risk assessment

As indicated above, the quantitative and qualitative evaluation of these risks is necessary before any market entry decisions are made (cf. Meissner 1995, p. 96). Qualitative methods aim at descriptive evaluations, meaning that the company-relevant risk factors are summarised and recommendations are formulated. Quantitative methods, on the other hand, aim to create country rankings which enable a direct comparison between countries and are based on statistical performance indicators and scoring models (cf. Neubert 2011, p. 128).

Some risk measurement tools designed to create country rankings are described in the following sections, with a special focus on one of the most well-known concepts, the BRS-index:

Business International Country Rankings (BI-Country Rankings): These rankings have been conducted regularly by the Business International Corporation

since 1976 and incorporate all country risks. BI has merged with the Economist Group and has since been merged with the Economist Intelligence Unit.

FORELEND information system: This information system is geared mainly towards banks and offers one- and five-year forecasts regarding the credit-worthiness of countries (cf. BERI S.A. 2017a).

Institutional Investor Country Rating: This rating is based on expert interviews from over 75 banks worldwide regarding the future credit worthiness of over 100 countries (cf. Institutional Investor LLC 2017).

World Economic Survey (WES): The WES is published quarterly for approximately 50 countries using the input of over 1000 expert economists to evaluate the general economic situation and predict future developments. As with the BI-Country Rankings, the WES takes into consideration all relevant country risks (cf. ifo Institut 2017).

Business Risk Service (BRS, formerly Business Environment Risk Index)

As one of the most well-known systems for conducting a comprehensive country risk analysis, the BRS is described here more extensively than the other risk analysis sources. The BRS is conducted by the Business Environment Risk Information Institute and is based on three sub-indices: Operations Risk Index (ORI), Political Risk Index (PRI) and the Remittance-and-Repatriation Factor (RF). These three indices are then aggregated into the Profit Opportunity Recommendation Index (POR Index) (cf. BERI S.A. 2017b).

4.2.4 CEE country risk for the B2B advertising specialties industry

Country risk in the CEE region may be an issue for Cowstyle's B2B-segment, as some countries in the region are undergoing a period of political instability and other disruptive events, economic or political, which may lead to a crippling effect for business in emerging markets (cf. Cassia/Magno 2015, p. 148).

4.3 Market entry barriers

Country market entry barriers do not fit entirely into either the attractiveness or the market risk category since such entry barriers are obstacles to be overcome by internationalising companies to penetrate foreign markets and conduct business effectively (cf. Kutschker/Schmid 2011, p. 961). Literature generally distinguishes several types of barriers: while some authors categorise market entry barriers according to the origin of the barrier (cf. Simon 1989, p. 1440-1446), others do so according to the effect the barriers have on businesses themselves (cf. Backhaus/Büschken/Voeth 2003, p. 129). Simon (1989) identifies three types of barriers:

- **Institutional market entry barriers**
- **Market-based behavioural entry barriers**
- **Company-based behavioural entry barriers**

This classification to some extent also covers the barriers related to business effects, i.e. economic, protectionist and behavioural barriers (cf. Backhaus/Büschken/Voeth 2003, p. 129), and is therefore described in more detail below.

4.3.1 Institutional market entry barriers

This type of market entry barrier includes protectionist measures set by national governments, such as tariff and non-tariff trade restrictions, which may have an impact on foreign business. The common characteristic of these barriers is that they are a direct result of state regulations. The main aim of these imposed restrictions is to protect local industry from foreign competition (cf. Simon 1989, p. 1442).

In its most extreme forms, trade barriers may take the form of trade sanctions and embargoes which, unlike trade tariffs and quotas, prohibit trade entirely and are often imposed not for economic reasons, but for political, often hostile, reasons against a specific country (cf. Czinkota/Ronkainen/Zvobgo 2009, p. 119).

4.3.2 Market-based behavioural entry barriers

This category of market entry barriers, unlike the institutional type, does not come from direct political action but rather from the prevalent business practices and behaviour of businesses in the foreign market.

A list of possible market-based entry barriers is offered by Backhaus, Büschken & Voeth (2003, p. 129):

- Company size-dependent cost advantages: advantages which already established companies enjoy with regard to unit costs due to accumulated market and production experience. This in turn can be difficult to overcome for B2B companies which are smaller in size, as price can be a determining factor for B2B customers (cf. Pförtsch/Godefroid 2013, p. 25).
- Company size-independent cost advantages: established companies have extensive market knowledge, which in turn may provide these companies with cost advantages on the seemingly non-transparent factor market.
- Customer-preference advantages: established competitors can benefit from increased customer loyalty due to their long market engagement, meaning customers tend to stay with a well-known brand. This can be especially relevant to the most profitable B2B relationships, which are personal ones (cf. Pförtsch/Godefroid 2013, p. 25).
- Capital requirements: entering a foreign market requires a certain amount of capital to be invested, which also depends on the market entry mode.
- Access to distribution channels: Since local competitors are already present within the existing distribution networks it may be difficult to enter the same distribution channels without additional effort from the entering company. In B2B marketing, distribution channels are usually shorter and therefore access to markets may be a simpler issue than in B2C markets (cf. Pförtsch/Godefroid 2013, p. 25).

Other possible market-based entry barriers which this list does not mention explicitly are opaque management practices, cultural differences and language barriers (cf. Kutschker/Schmid 2011, p. 962).

4.3.3 Company-based behavioural entry barriers

Researchers have also argued for a third category of entry barriers which exists not primarily because of external factors but instead originates within the company. A special case in which an organisation may create its own entry barriers concerns the gathering of foreign market intelligence, i.e. if companies

make errors in their assessment of markets they create artificial home-made market entry barriers (cf. Simon 1989, p. 1446).

4.3.4 CEE market entry barriers in the B2B advertising specialties sector

The CEE region has experienced a liberalisation of trade and commerce during the transition phase after the fall of communism in the area (cf. Hashi/Krasniqi 2010, p. 459). However, market-based behavioural entry barriers may be present in the form of difficult access to distribution channels because established internationally active suppliers and distributors are likely to be present in these markets already. Furthermore, building sales networks in the CEE region has often been cited to be a difficult and slow process (cf. Cassia/Magno 2015, p. 148).

4.4 Requirements of market selection criteria

Having illustrated the commonly used criteria in the international market selection process, it must be noted that these criteria should not be incorporated into a market selection concept if they do not meet certain conditions. Criteria are considered adequate if they fulfil the following requirements (cf. Berekoven/Eckert/Ellenrieder 2009 p. 24-26; Kühnapfel 2014, p. 8-9):

- **Relevance:** criteria must be relevant to the market selection decision of the specific company and industry.
- **Selectivity:** criteria to be used in a market selection concept must be able to quickly reduce the number of viable countries in an elimination approach, as too many target countries increase the number of relevant criteria for further research.
- **Measurability:** criteria which cannot be quantified are also not suited for objective evaluation of country markets.
- **Availability:** The data required for the market selection criteria should be available for most if not all countries under review.
- **Access to potential markets**: the target markets selected must also be accessible for entry by the company.

4.5 Data sources for market selection criteria

One of the main criteria for suitable market selection is the availability of data across different countries (cf. Berekoven/Eckert/Ellenrieder 2009, p. 25). The following list shows the international organisations which provide data on political, economic, legal, socio-cultural, geographic, demographic and international trade dimensions.

International data sources overview	
Institution	**Information**
International Chamber of Commerce (ICC)	financial, international trade and contracts, international trade law
International Trade Centre (INTRACEN)	industry- and product-specific export and import statistics
Euro Info Centre – official consulting body for EU members	business contacts and cooperation partners
World Bank	population, GNP per capita, GNP growth, purchasing power estimates, industry-sector growth rates, trade/capital movement, demographic/social statistics, other economic indicators, world financial indicators
World Trade Organisation	economic, legal, environmental statistics, international trade statistics
United Nations institutions	demographic, social and economic statistics, international financial statistics, international trade statistics
Organisation for Economic Co-operation and Development (OECD)	macroeconomic data: industrial production, domestic trade, labour/wage rates,
European Commission	population, economic, environmental, structural, business and consumer surveys
Eurostat	macroeconomic, industry-specific, regional data on economic structure and development of EU members, international trade statistics, industrial production statistics
World Values Survey	international study about various aspects of life: politics, society, environment, religion, national identity

Table 8: Overview of international data sources (based on Büter 2010, p. 134-136; Craig/Douglas 2005, p. 71-84)

This is a sample list of organisations which offer relevant data and should not be considered an exhaustive list of all data sources. Additional data may be provided by national organisations within the potential target countries, such as national

statistics offices, central banks and other government institutions (cf. Craig/Douglas 2005, p. 76).

Regarding information about the promotional products/advertising specialties market the following institutions are possible sources for information in the European market:

- Promotional Product Service Institute (PSI)
- Gesamtverband der Werbeartikel-Wirtschaft e.V. (GWW)
- European Promotional Products Association (EPPA)
- Promotional Products Association International (PPAI)

4.6 Weighting of criteria

Market selection criteria are multidimensional, as has been illustrated in the previous chapters. Therefore, evaluation of countries based on these criteria requires weighting, with certain criteria being of higher importance than others depending on the industry, product, company, market entry mode and other factors. There are various possible methods for determining the weight of criteria (cf. Toutenburg/Knöfel 2009, p. 48-49):

Pairwise comparison: Criteria are presented in pairs and respondents are asked to decide which is the more important criterion. Each criterion is compared with all others and the most important criteria are determined by means of a matrix. This process is precise but cumbersome when there are many criteria.

Ranking of criteria: All criteria are ranked by respondents from most important to least important. This method is unsuitable for a large number of criteria since the overview is lost quickly.

Rating scale: Criteria importance is evaluated using a rating scale (e.g. 1=not important; 5=high importance). The drawback of this method is that respondents may rate all criteria high or low, rendering it useless.

Constant-sum scale: Importance is ascribed to criteria by a "point-budget". Respondents have a budget of points they can distribute to the criteria based on their relative importance. The total sum of points assigned may not exceed the budget given to respondents. This method has several advantages, including the

fact that the order of importance and the importance relative to other criteria can be established.

4.7 Chapter summary

Chapter 4 illustrates the important topic of market selection criteria. Three common distinctions between different criteria from the literature are described: market attractiveness, market risks and market barriers (cf. Kutschker/Schmid 2011, p. 956). Within these three categories the individual components of these concepts are further illustrated, providing insights into which indicators reflect attractiveness, risks and barriers for a company. The existing literature stresses that the criteria for these categories can differ vastly for a company depending on factors such as the specific industry, the product, the market entry mode and the strategic orientation (cf. Stahr 1993, p. 43). Market attractiveness is a multi-dimensional criterion encompassing several factors related to sales potential, procurement and production benefits and other factors depending on the company's objectives. Market risks involve the possible occurrence of events which affect business negatively, be they of political, economic or commercial origin. Finally, market entry barriers consist of obstacles to international business imposed by institutions, market behaviour or the company itself (cf. Kutschker/Schmid 2011, p. 961). It has also been illustrated that suitable market selection criteria must fulfil certain requirement to be used effectively. One of the most important aspects is the availability of data and therefore commonly used data sources were also illustrated. Lastly, different methods for weighting market selection criteria according to their importance have been discussed as well.

5 International Market Selection Procedures

Having described the market selection criteria, the various procedures for applying these criteria must now be explained. The market selection procedure and methods form another component of the market selection concept (cf. Fuchs/Apfelthaler 2009, p. 300). The market selection procedure is designed to help find the most profitable country markets for a company looking to internationalise. Existing studies have put forth various procedures for international market selection (cf. Fuchs/Apfelthaler 2009, p. 301), with varying degrees of complexity, criteria and methods.

For the selection procedure to be of practical use, the requirements and restrictions of the company using it must also be considered as well. This is particularly important for SMEs, since their resources and decision behaviour differ significantly from those of large corporations. Simplicity and comprehensibility are key attributes for selection procedures used by SMEs, as is the easy procurement of data (cf. Schneider/Müller 1989, p. 12-13).

The illustration below gives a rough overview of the possible structure of market selection procedures.
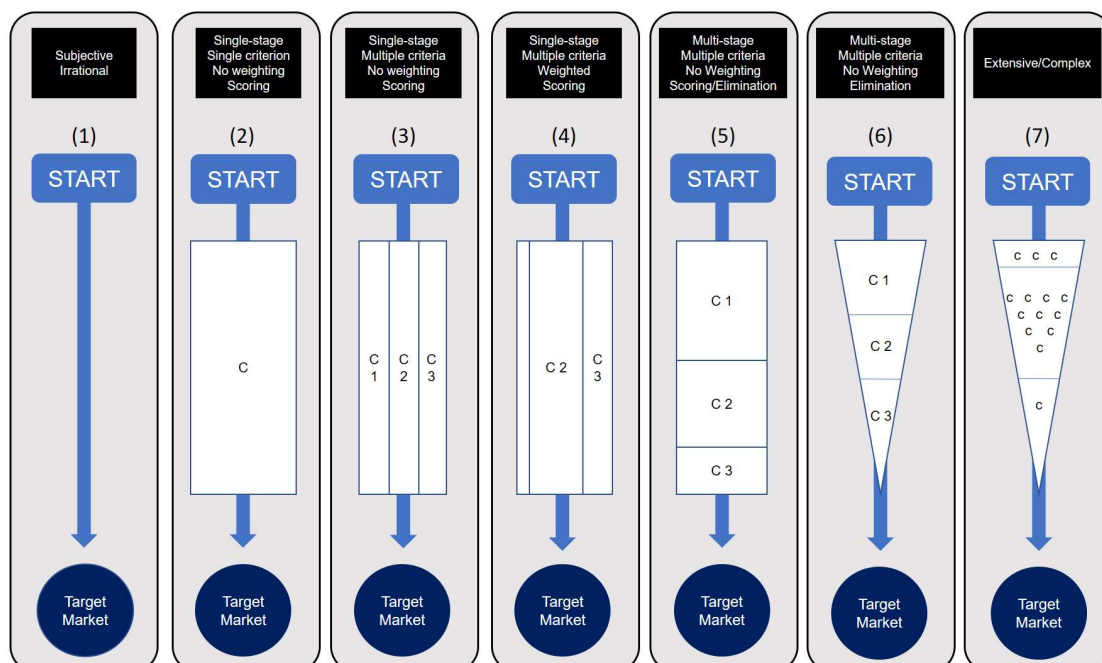

Figure 3: Procedures for target market selection (cf. Fuchs/Apfelthaler 2009, p. 301)

The existing literature suggests that international market selection procedures can be roughly divided into single-stage and multi-stage or sequential procedures (cf. Fuchs/Apfelthaler 2009, p.301; Kutschker/Schmid 2011, p. 963). These

procedures are not mutually exclusive, however, as the multi-stage procedures make use of the single-stage procedures for market selection (cf. Kutschker/Schmid 2011, p. 972).

The illustration above moves from the simplest (1) to the most complex forms of market selection procedures (7). Needless to say, the subjective/irrational approach in (1) is highly erroneous and to be avoided (cf. Fuchs/Apfelthaler 2009, p. 301). Procedures 2-4 represent single-stage procedures characterised by only one evaluation stage with a single criterion or multiple criteria, either unweighted or weighted. Procedure 5 illustrates the first sequential form of selection procedure, which uses a scoring and elimination procedure, reducing the number of viable target markets in each evaluation stage. Type 6 is a further development of 5 with weighted criteria, and the last and most complex type (7) combines all methods and instruments into a sequential procedure making use of multiple criteria, weighting, elimination and scoring (cf. Fuchs/Apfelthaler 2009, p. 301).
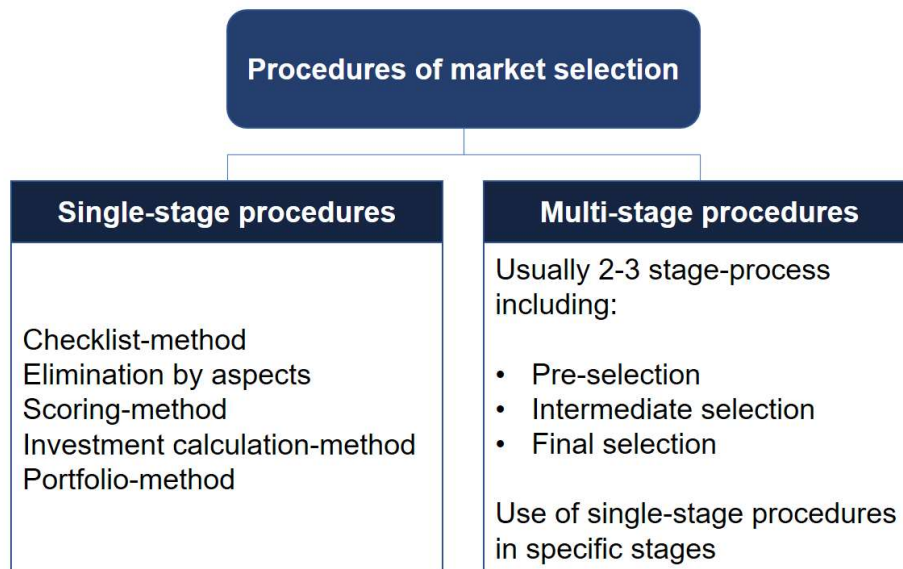

Figure 4: Procedures of international market selection (based on Kutschker/Schmid 2011, p. 964)

5.1 Single-stage procedures of market selection

Single-stage procedures are simple methods of market selection which make use of only one market selection method in one stage. These include the checklist procedure, the elimination by aspects method, the scoring method and portfolio analysis (cf. Kutschker/Schmid 2011, p. 964). It should be pointed out again that these procedures and the tools used therein are not isolated concepts, as they are also used in the multi-stage procedures illustrated in section 5.2.

5.1.1 Checklist method

In this method, a checklist is created which features all criteria relevant to the market selection decision (cf. Stahr 1993, p. 31). In the next step, the magnitude or value each country shows for each selected criterion is recorded in the corresponding column of the checklist, indicating an advantageous, neutral or disadvantageous value compared to other potential target markets. This enables the comparison of country markets at a qualitative level. The result is a list of potential target markets which fulfil all relevant criteria (cf. Stahr 1993, p. 31).

The advantages of this method are its simplicity, speed and low resource intensity. Its shortcomings are that the criteria are selected subjectively and there is a lack of consistency between the criteria, as they may overlap to some degree (cf. Schneider/Müller 1989, p. 21-22).

Relevant environmental factors	Albania	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	.....
Macro-environment factors							
1. Political environment							
Political stability Corruption							

2. Legal environment
   Legal contract security
   Regulations regarding market entry
   modes							

3. Economic environment
   GDP
   Inflation rate							

4. Socio-cultural environment
   Attitude towards work
   Attitude towards change
   Attitude towards technology							

Micro-environment factors							
Market volume Market growth Market structure Intensity of competition Cost structure Procurement situation							
Evaluation scale	++ + 0 - --	high potential/very good potential/good neutral risk/bad high risk/very bad					

Figure 5: Checklist method (based on Kutscher/Schmid 2011, p. 967)

Furthermore, as a single-stage procedure for market selection, the value each country receives in each category is subject to criticism, as these values are based on low-density information (cf. Neubert 2011, p. 122).

Despite these shortcomings, the checklist method is a widespread tool which can be incorporated in a multi-stage selection procedure for a pre-screening of potential target countries, with countries not fulfilling certain minimum requirements being filtered out early in the process. This way, fewer resources are spent on analysing markets with little to no potential (cf. Root 1998, p. 33).

5.1.2 Elimination by aspects

The elimination method is similar to the checklist method. Several relevant evaluation criteria are chosen and then ordered by their strategic importance (cf. Kutschker/Schmid, p. 966), i.e. the most important decision criterion is in first

place, etc. A further difference to the regular check-list method is that for each criterion minimum and maximum values are set. All countries are then evaluated based on the pre-set order of criteria (from most important to least important). Countries which do not meet the minimum requirements or that exceed maximum permissible values (e.g. risk) are then eliminated. This process is repeated for each criterion until the target markets have been evaluated for all criteria or only one country market remains after the elimination process (cf. Kutschker/Schmid 2011, p. 966).

This method is an improvement over the checklist method, since the criteria are ordered, yielding a more structured approach to the evaluation. Furthermore, with this method there is no possibility of a negative evaluation in one criterion being neutralised by a positive value in another criterion, since the order of criteria is decisive (cf. Kutschker/Schmid 2011, p. 966).

5.1.3 Scoring method

The scoring method is a more complex single-stage procedure and a further development of the checklist and elimination methods (cf. Berndt/Altobelli/Sander 2010, p. 117). This method is used for numerous applications in business and is especially useful in cases where a decision must be made based on several criteria (cf. Kühnapfel 2014, p. 2). As in the checklist method, relevant market selection criteria are identified but criteria are first weighted by importance using several different methods (see section 4.6). After weighting has taken place a point scale is developed with a maximum and minimum number of points to be given for each criterion (cf. Kühnapfel 2014, p. 16). Based on this scale, points are given and then multiplied by the earlier assigned weighting to obtain the weighted and then final score. As the weighting influences the final score for each criterion, it is possible that negatively evaluated criteria which have a lower weighting (lower importance) can be offset by positively evaluated criteria with a higher weighting (higher importance) (cf. Kutschker/Schmid 2011, p. 966).

Relevant environmental factors	Weighting	Albania	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	.....
Macro-environment factors	**35%**							

1. Political environment
   Political stability
   Corruption
	6%							

2. Legal environment
   Legal contract security
   Regulations regarding market entry
   modes
	12%							

3. Economic environment
   GDP
   Inflation rate
	15%							

4. Socio-cultural environment
   Attitude towards work
   Attitude towards change
   Attitude towards technology
	2%							

Micro-environment factors	**65%**							
Market volume	25%							
Market growth	12%							
Market structure	9%							
Intensity of competition	13%							
Cost structure	7%							
Procurement situation	5%							
Sum	**100%**							

Evaluation scale
Point scale from 0-10
(0=insufficient; 10=very good)

Figure 6: Scoring method with weighted criteria (based on Kutscher/Schmid 2011, p. 967)

Using this method, it is possible to generate a ranking by comparing the total weighted score received by each country market (cf. Sternard 2013, p. 49). Advantages of using a scoring method for evaluating potential target markets are the relative simplicity of the procedure, its rationality and the structured approach to the decision (cf. Berndt/Altobelli/Sander 2010, p. 119). A further advantage over the checklist method is the fact that a qualitative evaluation of criteria can to a certain degree be transformed into a quantitative result using weighted criteria and the point system (cf. von der Grün/Wächtler/Garrel 2009, p. 66). However, as with the checklist method, as a one-step procedure there remains the problem of subjectivity regarding the selected criteria and their weighting and rating (cf. Berekoven/Eckert/Ellenrieder 2009, p. 282).

5.1.4 Portfolio method

The portfolio method is a widely used tool in business for analysing market segments in terms of market attractiveness and relative competitive strength in an intra-national market segmentation process (cf. Hinterhuber 2011, p. 170). The basic idea behind the portfolio method for market selection is to compare country markets based on two or more dimensions or evaluation criteria at the same time (cf. Meissner 1995, p. 142). The aim is to identify multiple viable markets which outperform others based on the selected criteria. This is achieved by visualising two or three dimensions such as market risk and market attractiveness along two axes in a graph and then placing the country markets on this graph with their respective degree of risk and attractiveness. It must be noted that the portfolio method is technically not a market selection procedure, unlike the previously illustrated procedures, because it uses aggregated constructs such as market attractiveness, market barriers and market risks as comparison criteria/dimensions, therefore making use of the results of previous market selection procedures. However, it is a useful tool for visualising these results and comparing countries at a higher level (cf. Schneider/Müller, p. 44-45).

A portfolio analysis may compare countries in terms of external factors, or both internal and external factors, or may even be three-dimensional. It is thus limitless in its application for international market selection and for other purposes such as a company-internal product portfolio analysis (cf. Hinterhuber 2011, p. 172).
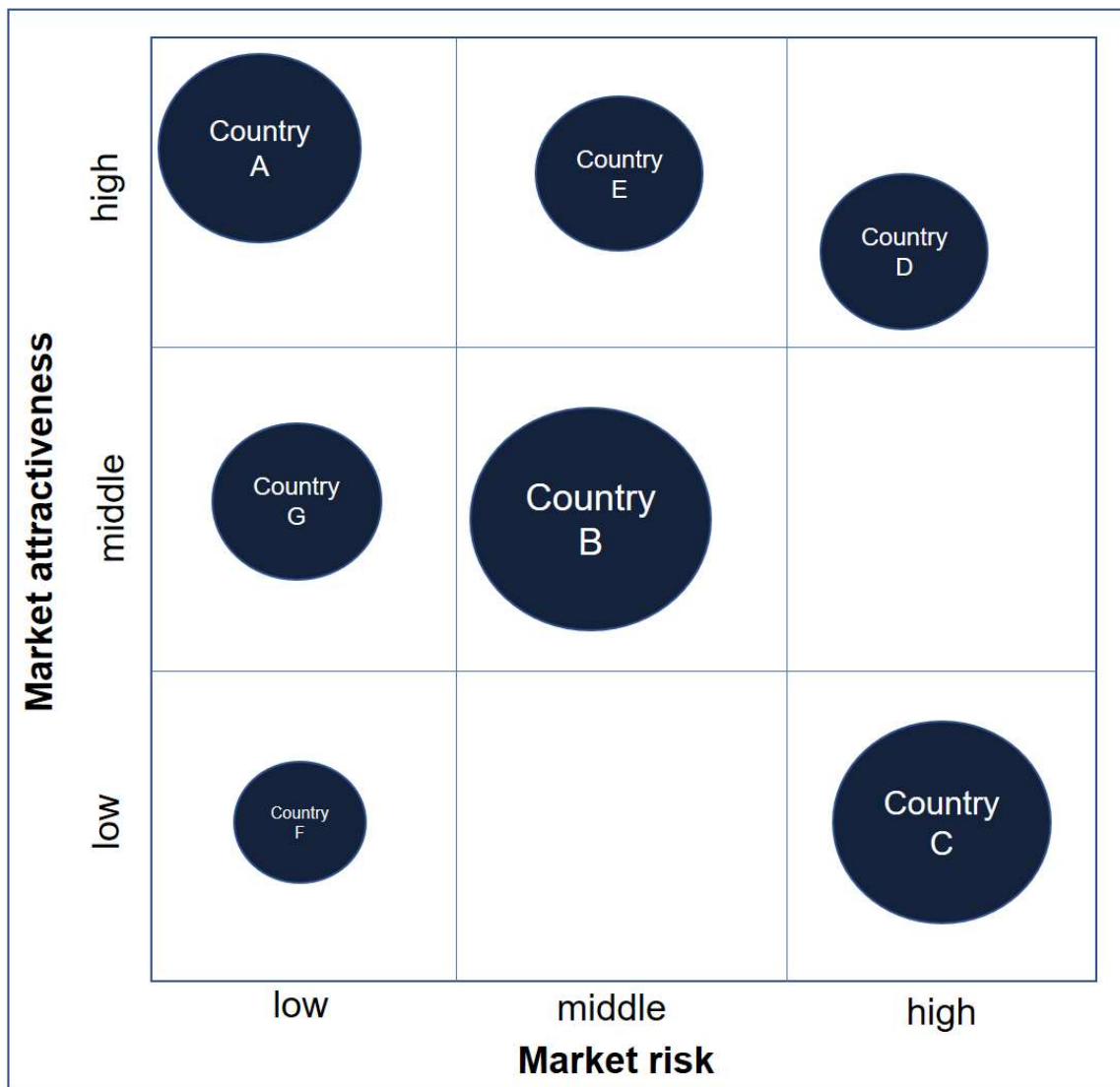
Figure 7: Portfolio method (based on Kutschker/Schmid 2011, p. 969)

The illustration above demonstrates how the portfolio method can be used in a market selection role. The extent of each criterion, low, middle and high describe the extent to which the country markets are risky to enter and how attractive they are. It should be noted that the position of countries in the matrix is often based on previously conducted quantitative evaluations (cf. Hinterhuber 2011, p. 173). Different fields are built on this graphical representation, making the decision on which markets to enter easier. For instance, country F has low market attractiveness but high market risk, and should logically not be entered, while country A has low market risk and high market attractiveness, making the country a good choice for entry. The size of the circles can be used to identify the magnitude of a specific criterion such as gross domestic product (GDP) (cf. Kutschker/Schmid 2011, p. 969).

As mentioned before, multiple combinations of evaluation dimensions are possible in the portfolio method. For instance, it is possible conduct a portfolio analysis using the aggregated dimensions of market attractiveness and the relative competitive strength of the company as an internal dimension (cf. Kutschker/Schmid 2011, p. 969). Another possibility is to use the dimension of available resources as an internal factor and market attractiveness as an external factor to evaluate markets (cf. Simon 2007, p. 222-225).

The portfolio method is a versatile, easy-to-use procedure for international market selection. However, as the procedure borrows from scoring methods of evaluation to place the country markets in the portfolio, it also inherits the flaws of that method (cf. Berndt/Altobelli/Sander 2010, p. 121).

5.2 Multi-stage procedures of market selection

Despite the advantages of single-stage procedures for market selection, literature tends to recommend a multi-stage procedure for the market selection process (cf. Fuchs/Apfelthaler 2009, p. 309; Kutschker/Schmid 2011, p. 972). Numerous different procedures of multi-stage market selection are presented in the literature. The core component shared by all these procedures is that they consist of multiple evaluation stages using various combinations of the single-stage procedures to reduce the total number of viable options for market entry (cf. Root 1998, p. 45). Through multistage procedures the information demand rises as the number of countries declines, which makes the process more manageable and easy to use and comprehend. This is a crucial feature of procedures used for SME selection decisions (cf. Schneider/Müller 1989, p.13).

The following sections describe two of the numerous models found in the literature (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 158-159). These two models have been chosen for further analysis because they are universally applicable regardless of the market entry mode chosen, and they include more than two stages. Furthermore, the models show a significant time difference in their publication dates, making for an interesting comparison. These models are the following:

- **The three-stage model by Schneider and Müller (1989)**
- **The four-stage model by Fuchs Apfelthaler (2009)**

5.2.1 The model by Schneider and Müller

Schneider and Müller's market selection model (1989) is a heuristic procedure often cited in literature. It is a further development of its predecessor model by Köhler and Hüttemann (cf. Kutschker/Schmid 2011, p. 974). The procedure consists of three market selection stages and is universally applicable, with a focus on small and medium-sized enterprises (cf. von der Grün/Wächtler/Garrel 2009, p. 60). Two of these three stages are summarised by Schneider as rough selection, while the last stage is the detailed selection stage (Schneider/Müller 1989, p. 17).

In the **first selection stage**, the company defines strategic company- and product-specific restrictive criteria. These so-called knock-out criteria serve to filter out country markets which fail to meet these criteria (cf. Schneider/Müller 1989, p. 20).

In the **second step**, Schneider's procedure uses two sets of criteria (A and B criteria) in which the remaining markets are evaluated simultaneously (cf. Schneider/ Müller 1989, p. 43). These criteria may include market volume, country conditions, competition and risk factors. For the evaluation itself the scoring method is recommended in this stage (cf. Kutschker/Schmid 2011, p. 974).

The **third selection phase** evaluates the country markets regarding the previously defined B criteria, but additional information in the form of primary market research is also used to create country portfolios (cf. Schneider/Müller 1989, p. 46). These country market portfolios separate the remaining country markets into three categories: core markets, potential markets and peripheral markets. Schneider notes that the market selection process is not completed with this last step, however. Company-internal conditions must be considered as well. For this, Schneider recommends further collection of primary data and creation of more portfolios with different evaluation dimensions (cf. Schneider/Müller 1989, p. 55).
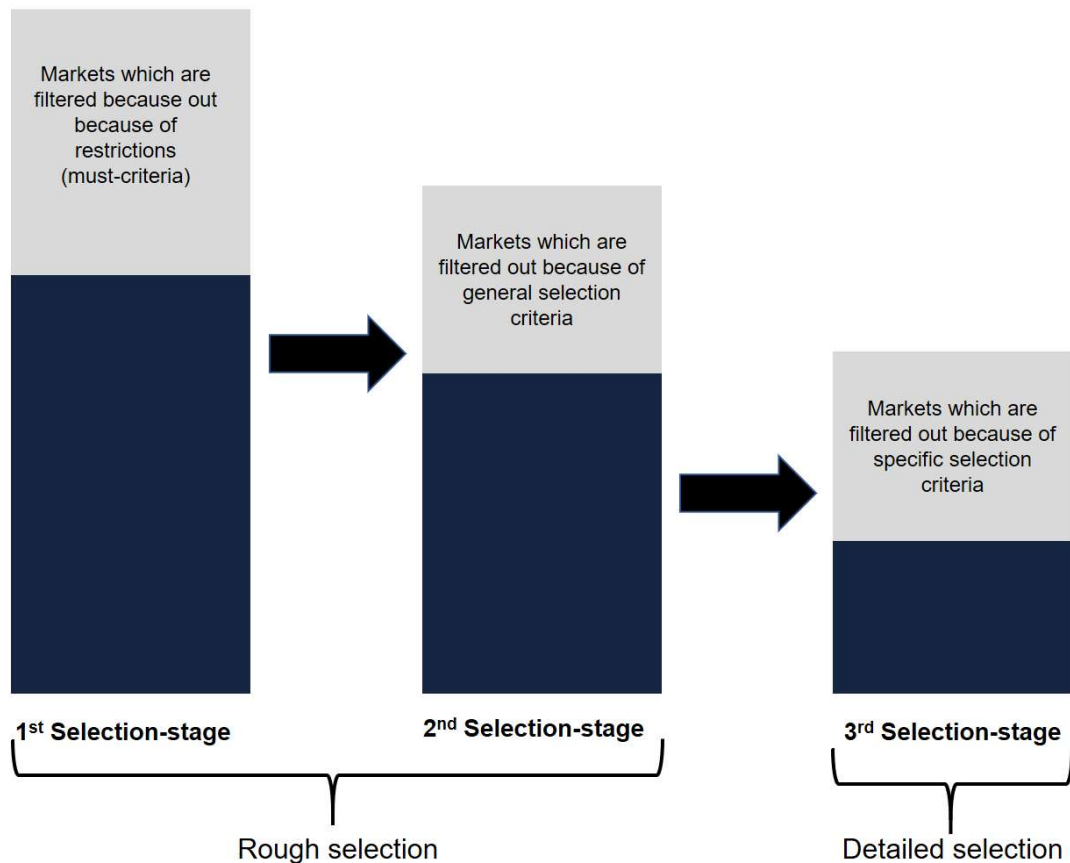
Figure 8: Three-stage model of market selection by Schneider and Müller (based on Schneider/Müller 1989, p. 17)

This procedure is more complex than its predecessor developed by Köhler and Hüttemann, using different tools for evaluation in the selection stages (checklist method, scoring method and portfolio method) (cf. von der Grün/Wächtler/Garrel 2009, p. 60). It therefore also inherits the strengths and weaknesses of these single-stage procedures (cf. Kutschker/Schmid 2011, p. 975).

5.2.2 The model by Fuchs and Apfelthaler

Another multi-stage selection procedure described in the literature is the model developed by Fuchs and Apfelthaler. This has been chosen for further illustration because it is a relatively new procedure (2009) and takes into account the need indicated by Schneider and Müller to consider company-internal criteria in a fourth selection stage. This market selection procedure consists of four selection stages, following a similar approach to the other models by gradually reducing the number of potential target markets in steps (cf. Fuchs/Apfelthaler 2009, p. 309).
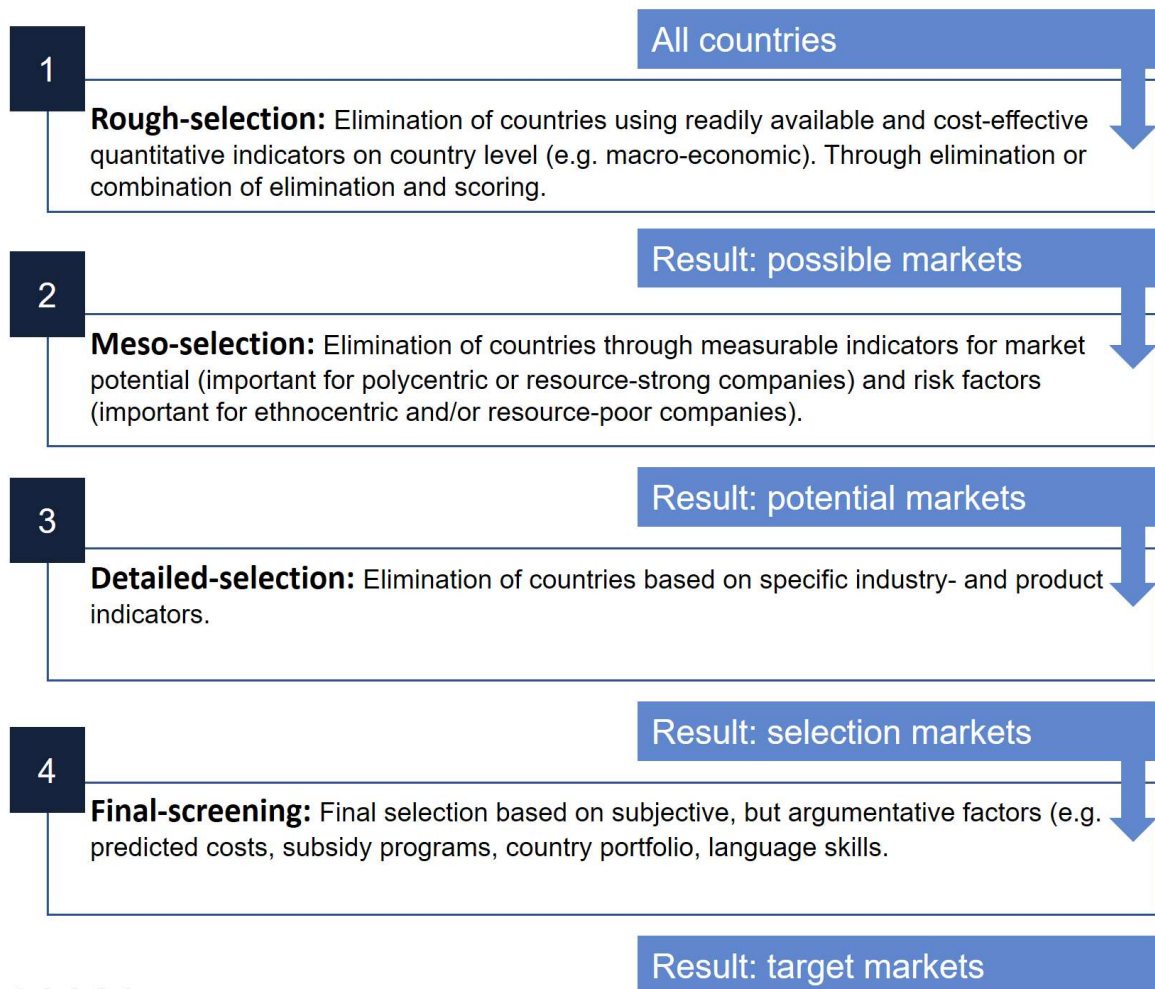
Figure 9: Four-stage model of market selection by Fuchs and Apfelthaler (cf. Fuchs/Apfelthaler 2009, p. 310)

The first stage, called the **rough selection stage**, is similar to the first stage of the previously discussed model in that all countries which do not fulfil minimum requirements are eliminated from the process. The intermediate result is a list of possible markets (cf. Fuchs/Apfelthaler 2009, p. 310).

This is followed by the **meso-selection stage**, which evaluates countries based on pre-selected criteria. These criteria are selected based on the requirements of a company-internal analysis. For instance, the company may decide to base its requirements on the dominant strategic orientation of the company (ethnocentric, poly-centric etc.), therefore choosing criteria which match the company's strategic disposition. The remaining countries after this stage are compiled in a "potential markets" list (cf. Fuchs/Apfelthaler 2009, p. 310).

In a third step, the **detailed selection phase**, the remaining countries are again evaluated based on criteria related to product- and industry-specific factors. Countries which pass this stage are called the "selection markets".

The **final screening** serves to further reduce the number of viable country markets after all restrictive or supportive criteria in the earlier stages have been checked. In the final screening, it is permissible to use company-specific and subjective criteria for further selection. These may include geographical distance, language requirements, experience and costs of entry (cf. Fuchs/Apfelthaler 2009, p. 311).

Fuchs and Apfelthaler also recommend the use of a country portfolio based on the Boston Consulting Group Matrix to classify the remaining markets in order to make sound decisions about which markets to enter and how to enter them (cf. Fuchs/Apfelthaler 2009, p. 312).

5.3 Chapter summary

Chapter 5 illustrates the common methods and procedures used for international market selection by companies. The existing literature identifies two basic types of procedures: single-stage procedures with a single stage of evaluation, and multi-stage procedures which use several stages and methods of evaluation (cf. Fuchs/Apfelthaler 2009, p. 301). The advantages of the single-stage procedures, which are also used in the multi-stage types, are illustrated and discussed. Regarding the multi-stage criteria, the literature identifies a wide range of differing models with different numbers of stages and methods employed (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 158-159). Two models were selected for further illustration: those of Schneider and Müller (1989) and Fuchs and Apfelthaler (2009).

An important insight in this chapter is that most multi-stage procedures reduce the number of viable country market options in several stages in which the number and detail of criteria increases as the number of analysed countries decreases. This helps keep the selection process economical and effective (cf. Schneider/Müller 1989, p. 13).

6 Theoretical B2B Market Selection Concept for the Advertising Specialties Industry

The previous chapters have given an overview of the important components for developing an international market selection concept for an internationalising company. These elements are briefly summarised in the sections of this chapter. As illustrated, the following elements comprise a market selection concept:

- Objective of the market selection concept
- Framework conditions
- Strategy for market selection
- Procedure for market selection
- Criteria of market selection
- Methods of evaluation

6.1 Objective of the concept

The concept's problem statement and objective are described in sections 1.2 and 1.3 and lay the foundation upon which further concept elements are developed. As stated in section 1.3, the objective of this market selection concept is to identify the most promising country markets for an SME operating in the advertising specialties industry in the CEE region. This concept should result in a list containing the most promising country markets for the purpose of raising the sales volume of the company's advertising specialties segment.

6.2 Framework conditions

The current situation of the company and the problem definition as illustrated in section 1.2 comprise part of the framework conditions which are taken as given. Especially for SMEs an analysis of the company in terms of its products, internationalisation motives, resources and strategic orientation must be carried out in order to determine whether the company and its products are ready for internationalisation (cf. Fuchs/Apfelthaler 2009, p. 273; see section 3.5).

Chapter 2 extensively covers the state of the industry and information relating to industry structure, trends and developments, all of which must be taken into consideration for the selection of criteria. The industry factors also influence

marketing decisions such as market selection, as described in section 3.3.2, and provide information regarding relevant market selection criteria (cf. Stahr 1993, p. 43)

6.3 Market selection strategy

Section 3.4 lists three types of international market selection strategies. As described by Neubert (2011) these three strategies are classified as experience-based, option-based and market research-based. Out of these strategies the market research-based variant is the most suitable to be used for this concept since many countries are to be examined (cf. Neubert 2011, p. 97)

6.4 Market selection procedure, criteria and methods

The market research-based approach consists of selecting countries based on quantifiable selection criteria in which the market attractiveness and market risks and barriers of potential target markets are assessed (cf. Neubert 2011, p. 96). Since 16 countries will be reviewed a multi-stage procedure is recommended, and the author has prepared four-stage procedure based on those illustrated in section 5.2.

The possible criteria and methods employed in the individual steps of this market selection procedure are explained in greater detail in the sections below.

6.5 Criteria for international market selection

Literature has presented a multitude of different criteria for market evaluation, and which criteria best address the market selection problem depends on the company's objectives, the industry characteristics, and the company's resources and strategic disposition towards internationalisation (cf. Stahr 1993, p. 43).

The following list has been compiled on the basis of chapters 2 and 4 and the previous elements of this concept. This list considers the objective, pre-conditions and assumptions about the company and the industry as well as the market selection strategy employed:

Advertising specialty industry market selection criteria	
Dimensions	**Criteria**
Economic/General criteria	GDP per capita
	GDP growth
	Purchasing power parity
Political-Legal/General criteria	Political stability
	Corruption
	Public debt
	Legal security
Socio-Cultural	Language
	Cultural affinity
Geographic	Infrastructure
	Geographic distance to home market
Market attractiveness/Advertising specialties-specific criteria	Number of advertising specialties distributors
	Number of banks/insurance companies/educational institutions
	Presence of promotional product trade fairs
	Presence of industry associations
	Advertising industry market size
Market risks	Conversion and transfer risks
	Substitution risks
	Security risks
	Legal risks
	Payment risks
	Transport risks
	Price development risks
	Exchange rate risks
Market entry barriers/general-industry specific	Import tariffs
	Import quotas
	Trade embargoes
	Presence of advertising specialties suppliers
	Access to advertising specialties distributors
	Product safety standards
	Customer preferences

Table 9: Possible criteria for a market selection concept for the advertising specialties industry (based on Fuchs/Apfelthaler 2009; Kutschker/Schmid 2011, Stahr 1993)

From these possible criteria, the most relevant to Cowstyle's management team for their B2B segment will be selected for use in the different market selection stages in the practical concept developed in chapter 9.

6.6 Multi-stage selection procedure description

6.6.1 Pre-screening of countries

As a first step, a pre-screening of all countries is recommended (cf. Schneider/Müller 1989, p. 17), which serves to reduce the number of possible entry markets. This is achieved by eliminating countries from the list which fail to meet minimum and maximum criteria defined by the company (cf. Root 1998, p. 33; Schneider/Müller 1989, p. 17).

Method: A suitable method for this procedure is the elimination by aspects method because of its simplicity and quickness (cf. Zentes/Swoboda/Schramm-Klein 2006, p. 186). All countries are placed in a list with criteria ranked according to their importance for the company. For each criterion a minimum and/or maximum value is set. If the countries do not meet one of these set values, it is eliminated (cf. Schneider/Müller 1989, p. 21).

Criteria: The criteria used in this checklist may be general macro-economic indicators, such as political, legal, economic, socio-cultural and geographic framework conditions, or obvious market entry barrier indicators. Possible criteria for this stage may include "Political stability", "Corruption", "Government debt", "Legal security", "Trade embargoes", "Country credit risk" and "Geographic distance".

6.6.2 Identification of possible countries

After the elimination of countries considered unfavourable or technically impossible to enter, the second stage of selection should aim to evaluate target country markets based on general market attractiveness market risks and market entry barriers (cf. von der Grün/Wächtler/Garrel 2009, p. 60).

Method: Since market attractiveness/risks and barriers are multi-dimensional concepts (cf. Backhaus/Büschken/ Voeth 2003, p. 126) a weighted scoring method is recommended (cf. Kutschker/Schmid 2011, p. 974). The remaining countries are assigned points for each chosen criterion and ranked according to the total weighted score achieved in the ranking. After the ranking, the top 5 countries are selected for further analysis in the next stage.

Criteria: The criteria will consist of general macro-economic and micro-economic indicators for market attractiveness and risks relevant to the company. Market risk indicators should consist of readily available aggregate risk indicators for countries (cf. Fuchs/Apfelthaler 2009, p. 310). Possible criteria for this stage include: "GDP per capita", "GDP growth", "Advertising industry market size", "Import tariffs", "Import quotas", "Risk criteria", "Import costs", "Product safety standards" and "Purchasing power parity".

6.6.3 In-depth analysis of potential countries

For the third stage of the market selection, it is advisable to evaluate countries based on industry- and product-specific criteria of market attractiveness, market risk and barriers (cf. Fuchs/Apfelthaler 2009, p. 310). The top three countries of this stage then remain for the last step of the analysis and the final selection.

Method: The weighted scoring method is also used for this stage because of the number of criteria which constitute market attractiveness, market risk and barriers.

Criteria: In contrast to the previous stage, more specific criteria of market attractiveness, market risks and barriers will be used since the number of analysis countries has been reduced. Specific criteria for the industry include: "Number of local specialty advertising distributors", "Number of banks/insurance companies/educational institutions", "Presence of promotional product trade fairs", "Presence of industry associations", "Presence of advertising specialties suppliers", "Access to distribution networks" and "Customer preferences".

6.6.4 Final ranking of selected countries

The remaining country markets, which should be no more than three or four countries, which were ranked in stage 3 based on the country portfolio, will be analysed using more detailed criteria related to market attractiveness and market barriers/risk, as well company-specific factors which could not have been included previously. This will result in a final qualitative ranking of the last remaining countries.

Method: This stage is not based on a quantitative analysis or on the previously described models, but serves to acquire insights into differences, advantages and disadvantages on a detailed level with regard to the remaining country markets. Since there should be no more than three or four of these, it is possible collect data through primary market research, which is recommended (cf. Schneider/Müller 1989 p. 46).

Criteria: Criteria used for the final ranking of the most relevant markets will include further market attractiveness, market risk and market entry barrier factors which are impractical to evaluate using secondary data. Furthermore, company-specific questions such as resource requirements, language barriers and cultural dimensions may be examined more reliably through primary research data to account also for company constraints such as resources (cf. Schneider/Müller 1989, p. 55). Furthermore, criteria should include aggregated questions regarding elements from all previous stages to check the findings of the secondary research.

6.7 Process of practical concept development and market selection analysis

The development of the practical concept and market analysis of the target region follows a process consisting of the following steps:

1. **Selecting the appropriate criteria** as described in chapter 4 according to the previously stated objectives, pre-conditions and assumptions.

2. **Weighting the criteria** according to their relative importance. The criteria will be weighted using a constant-sum scale with the help of experts and company representatives since this method is easy to use and enables the parties performing the weighting to not only assign an order of importance to the criteria but also to quantify their importance relative to others (cf. Toutenburg/Knöfel 2009, p. 49).

3. **Collecting the relevant data** for assessment of the criteria. The data for the quantitative stages of selection is best procured using secondary data sources as described in section 4.5. Scoring for the individual indicators must be developed for the stages in which the scoring method is used. Primary research data for the final selection stage, the country ranking stage, must be gathered after the secondary analysis has been carried out.

4. **Data analysis** by subjecting the potential target markets to the four-stage procedure, starting with the elimination of countries in the pre-screening stage, then evaluating the remaining countries with general macro- and micro-economic criteria in stage 2, further reducing the number of countries to 5-7, then evaluating these countries in an in-depth analysis using industry- and company-specific criteria, reducing the number of countries to 3-4, and finally ranking the countries based on expert interview input.

5. The **results of the expert interviews are interpreted**, enabling the development of the final country ranking and the recommendations for further steps to be taken.

An overview of the concept is shown in the illustration below.
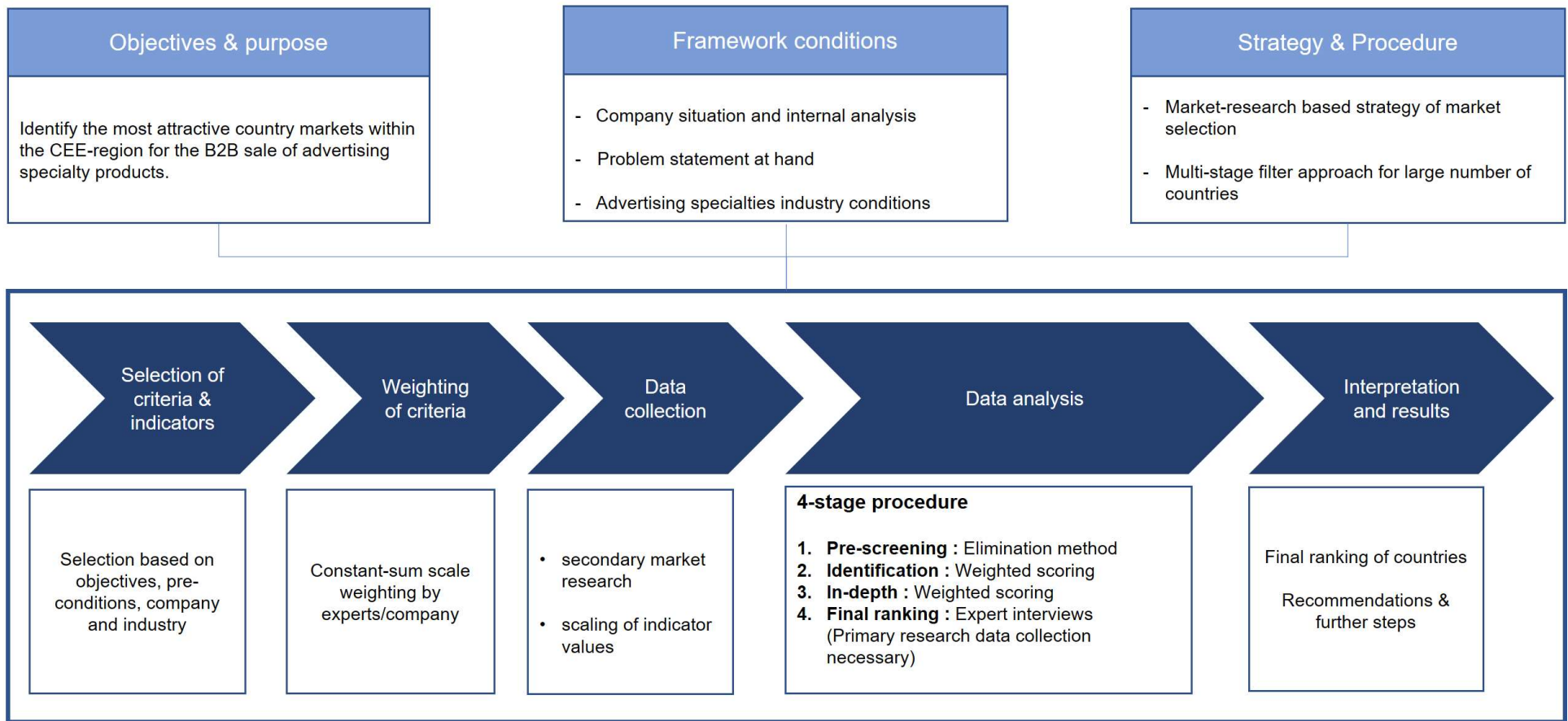
Figure 10: B2B market selection concept for the advertising specialties industry (prepared by the author)

7 Research Design

The task of developing an international market selection concept for Cowstyle's B2B segment for the CEE region requires an extensive amount of data regarding all variables and criteria employed in the market selection concept. International market research is necessary for many international business activities, including international market selection decisions, because of the inherent differences between countries (cf. Craig/Douglas 2005, p. 1). This chapter illustrates the research design based on which the thesis objective and the company objectives are met in the practical stage.

7.1 Research objectives

The research objective within the framework of this thesis is the development of a market selection concept for Cowstyle's B2B segment for the CEE region and consequent market selection analysis in order to develop a list of the most promising target countries. The objectives of the research design can thus be summarised as follows:

- analysis of the Cowstyle's "Corporate Designs" segment
- selection of criteria and indicators for assessment of these criteria in collaboration with the company
- weighting of the chosen criteria by experts and the company
- collection and analysis of indicator values for the chosen criteria
- collection and analysis of qualitative information regarding the chosen criteria about most promising countries left after the quantitative analysis

7.2 Methods of data collection

For the development of the market selection concept a two-pronged approach is necessary, with the combined use of qualitative primary research and quantitative secondary market research. The use of secondary research is recommended in market selection as the number of countries to be analysed is too large to effectively conduct primary research for all countries in all stages (cf. Schneider/Müller 1989, p. 17). Primary research, however, has several advantages over secondary research (cf. Kuß/Eisend 2010, p. 41) and will

therefore complement and confirm the insights and results achieved through secondary market research (cf. Schneider/Müller 1989, p. 46).

7.2.1 Secondary market research

Secondary market research is used for these stages as an in-depth analysis using primary research of all countries in consideration would be too time-consuming, and secondary data is useful in the initial screening stages of market selection (cf. Kuß/Eisend 2010, p. 41).

Pre-screening of countries

For the pre-screening, general knock-out criteria will be pre-selected and defined by the author in the development phase of the market selection concept, based on insights gained in the theoretical part, and the final selection of criteria carried out in cooperation with one of Cowstyle's managing directors, Mag. (FH) Oliver Rauch.

The criteria used will be macro-economic indicators describing the global framework conditions of business as illustrated in chapter 3. Minimum and maximum indicator scores for the target markets in the screening will be set in cooperation with Mag. (FH) Oliver Rauch. The necessary data for analysis will also be gathered using the databases of international organisations as described in section 4.6.

Identification of possible countries

In the next stage, the evaluation of remaining target countries again requires the pre-selection and definition of criteria which will include indicators of general market attractiveness and market risks/entry barriers. A weighted scoring model will be used for the evaluation in this stage. Since the weighting is problematic due to subjectivity (cf. Berekoven/Eckert/Ellenrieder 2009, p. 282), the weight of each criterion will also be set in cooperation with the company mentor and the two external experts (see 7.2.2 for details). The top five countries will move to the third selection stage.

The data required for analysis in this selection stage will be derived from the secondary data sources described in section 4.6.

In-depth analysis of potential countries

The third stage of market selection is similar to stage 2 and requires the selection of detailed industry-specific criteria which have not been included in the analysis to this point. These criteria are again pre-defined by the author and selected in cooperation with the company mentor. As in stage 2, the weighting of the scoring method will be determined with the help of the two experts and the company mentor. The top three countries will be selected for further analysis.

In summary, the following steps must be carried out to conduct the secondary market research analysis:

1. Pre-selection and pre-definition of selection criteria
2. Contacting two external experts via e-mail for the weighting
3. Weighting of criteria in for the Identification and In-depth analysis stages
4. Data collection using secondary data sources
5. Conducting pre-screening, identification and in-depth analysis

7.2.2 Primary research – weighting of criteria

It will be necessary to ask the experts to contribute their opinions on the weighting of market selection criteria for stages 2 and 3 due to the bias that weighting by nature entails (cf. Berekoven/Eckert/Ellenrieder 2009, p. 282). Therefore, the opinions of two experts with specific knowledge of the region and the company mentor will be solicited. The weighting provided by each participant will be equally evaluated to ensure an even influence on the final weighting of criteria. Further information on the expert status criteria is presented in section 7.2.3.

7.2.3 Primary market research – final ranking of selected countries

As explained in chapter 6, the final selection stage is based on the results of primary market research. The goal is to confirm the analysis results of previous selection stages, which were based on secondary data, and to gather qualitative information for a final ranking of the remaining countries.

Primary market research method

Since Cowstyle's market selection concept is intended for the advertising specialties industry in the CEE market, the primary market research method are qualitative expert interviews. The reason for choosing this method is that the CEE region's business environment is a specific topic, making it necessary to interview experts in the field rather than non-specialists to gather data on the CEE region and its countries (cf. Craig/Douglas 2005, p. 283).

The interviews will be conducted based on two different interview guides which will be prepared based on the findings of the secondary market research phase to support the process and focus on key questions and the primary research target (cf. Mey/Mruck 2011, p. 299).

Primary market research sampling

Two types of experts will be consulted:

1. **CEE region experts** with extensive knowledge regarding the business environment-related macro-economic factors in the CEE-region

2. **Individual country experts** with extensive knowledge the about one of the specific countries left after the in-depth analysis for a more detailed investigation

Two categories of experts are used, as it is highly unlikely to find experts with both a general overview of the CEE region and detailed knowledge within each country. One of the most important elements when using expert interviews is the definition of requirements and criteria which warrant expert status. Criteria for determining what expert status means are often vague (cf. Mey/Mruck 2011, p. 264). These criteria have been chosen by the author based on judgement sampling (cf. Craig/Douglas 2005, p. 283).

CEE/Country expert requirements:

(i)   Interview participants must have at least five years of experience in the CEE-region or one of the target countries with extended knowledge

regarding macro-economic framework conditions in the political, legal, economic, socio-cultural and geographic dimensions.

(ii)   Interview respondents must have basic knowledge about advertising specialties.

Interview participants will be selected from known national foreign trade institutions, such as the departments for external trade of the Austrian Chamber of Commerce and other organisations specialising in foreign trade and business in the CEE region.

Sample size

The sample size will include at least three CEE experts who will answer questions relating to the region in general, as well as comparative questions regarding the three final countries. The six country experts (two per country) will be asked similar questions, but related only to their specific country of expertise.

Procedure

Conducting expert interviews consists of several steps, which are listed below:

1. Contacting respondents: introduction to the problem, setting date and time of interviews
2. Conducting analysis stages: pre-screening, identification, in-depth analysis
3. Preparation of interview guides based on previous analysis stages
4. Sending interview guides to selected respondents
5. Preparing recording equipment
6. Conducting the interviews
7. Transcription of interviews
8. Analysis of interview data
9. Development of final ranking and recommendations for further steps

After the data analysis has been carried out, there should be sufficient insight regarding the remaining country markets for Cowstyle to decide on which target country market to enter first.

8 Cowstyle Corporate Designs

Cowstyle's B2B segment, called "Corporate Designs", has only existed since 2014 and represented the company's entry into the advertising specialties industry (cf. Rauch 13.10.2016). "Corporate Designs" is the focus of the international market selection task of this thesis and therefore the product characteristics, customer base and competitive situation of the segment, as well as the company/product readiness for internationalisation are worth exploring.

8.1. Product characteristics

The product range for Cowstyle Corporate Designs consists of a mix of various types of jewellery, accessories and necklaces from the retail segment, and several exclusive items as described in section 1.1. Cowstyle products aim for a rustic yet quality look by making use of natural materials as much as possible. For this reason, many of the company's products are made of wood (cf. Cowstyle 2017c). This enables the company to claim a competitive advantage over its competitors, as most classic advertising specialty items such as ball-point pens, lighters, etc. primarily use synthetic materials, while the Cowstyle Corporate Designs range uses sustainable materials. The products (see table 2, Chapter 1) are customizable to fit the customer's corporate design. The company customizes products via laser engraving and offers this service for a wide range of materials (cf. Cowstyle 2017c).

8.2 Clients

Within the B2B corporate segment the company distinguishes between two types of customers. On the one hand, B2B corporate targets large corporations which procure merchandising items directly from suppliers. Examples of such "industrial customers" are banks, insurance companies and other multinational firms which require a considerable volume of merchandising items for all their subsidiaries (cf. Rauch 13.10.2016). Customers in the corporate segment include (cf. Cowstyle 2017c):

- ERSTE Bank
- SK Sturm Football Club

- Ford

- Wiener Städtische – Vienna Insurance Group

- FH Joanneum – University of Applied Sciences

- Karl-Franzens university

- Wüstenrot

- Kleine Zeitung

- Diadoro

- Allianz

- Mercedes Benz

On the other hand, the segment serves marketing agencies which acquire merchandising articles from merchandising suppliers on behalf of small and medium-sized enterprises (cf. Madden/Caballero-Cooper 1992, p. 46). Marketing agencies acts as intermediate distributors for companies which do not order bulk quantities of merchandising products (cf. Rauch 08.03.2016). Although the order volume in this group is lower, the number of customers makes this a worthwhile group to continue targeting (cf. Rauch 13.10.2016).

8.3 Promotion and distribution

Promotion of Cowstyle's B2B corporate segment is highly dependent on the presentation of its products at specialist trade fairs, as is common for B2B companies (cf. Pförtsch/Godefroid 2013, p. 398). This is the most important marketing channel for merchandising products in Austria, Germany and Switzerland (cf. Rauch 13.10.2016). Trade fairs such as *Marke[ding] plus* in Austria and the international PSI (Promotional Product Service Institute) show are major events for customer acquisition (cf. Rauch 13.10.2016).

Promotion of the "Cowstyle" brand is also carried out through regular publications of the Cowstyle products in a variety of lifestyle, fashion and jewellery magazines, as well as newspapers (cf. Cowstyle, 2016b).

Unlike retail segment sales, B2B Corporate orders are handled directly by the company (cf. Rauch 11.04.2016). As with its retail segment Cowstyle uses exporting for distributing its B2B segment to international markets with the assistance of distribution partners (cf. Rauch 13.10.2016).

8.4 Competition

Within the advertising specialties industry Cowstyle is a supplier and manufacturer (cf. Promotional Product Professionals of Canada no year, p. 3). At the supplier level the market is highly fragmented (cf. Rauch 13.10.2016). Competitors come in all sizes with different degrees of product type focus (cf. Rauch 13.10.2016). Major industry competitors such as PF Concept offer a wide range of different products across various segments to customers worldwide (cf. PF Concept 2015). Smaller competitors, such as the Ritter Pen GmbH, focus on one specific segment such as ball-point pens (cf. Ritter Pen 2015). Due to the fragmentation of suppliers and the ever-growing need for innovative new advertising specialties, smaller players such as Cowstyle can effectively compete in this market (cf. Rauch 13.10.2016).

8.5 Readiness for internationalisation

Regarding the company's readiness for internationalisation it must be noted that Cowstyle is already operating in a large part of Western Europe and Eastern Europe with its retail segment only and is therefore familiar with internationalisation in general (cf. Rauch 13.10.2016). Because growth has been the driving objective of the company since its foundation, it has been pursuing an active internationalisation strategy in its retail segment. Cowstyle's B2B segment, on the contrary, has not entered foreign markets, but the company is seeking markets based on potential in general. It has been suggested that the presence of existing high-volume customers is an attractiveness criterion for the company (cf. Rauch 08.03.2017). Cowstyle is aware of its Austrian heritage and likes to stress this origin. This would suggest that the country is ethnocentrically orientated (cf. Meffert/Bolz 1998, p. 27). The company has followed a classic internationalisation path with its B2C segment by entering markets such as Austria first. However, the country has also entered more remote countries, e.g. Spain and Albania in 2015 (cf. Cowstyle 2017b).

As an SME, Cowstyle has limited financial resources, and internationalisation efforts for an unfamiliar geographic region should be limited to one or two countries at a time. Production capabilities are believed to be sufficient to supply its distribution partners abroad, and capacities are scalable (cf. Rauch

13.10.2016). This makes it possible to handle the additional orders generated by foreign demand. The products of the Cowstyle B2B segment can be adapted to suit the specific tastes of foreign markets regarding materials and designs, and the B2C segment's success has proven that the brand is well received abroad (cf. Rauch 19.04.2016). It is therefore safe to assume that Cowstyle's B2B segment and the company itself, with its previous international experience, is ready for internationalisation.

9 Development of the Practical Market Selection Concept

This chapter discusses selected criteria and methods and the weighting of criteria employed in each analysis stage for the Cowstyle B2B corporate segment based on the objectives, framework conditions, strategy and product segment analysis as seen in chapters 6 and 8.

The following table shows all criteria selected in all secondary market research stages and their data sources.

Selected criteria and data sources		
Stage	**Criterion**	**Source**
Pre-screening	Political stability	World Bank database
	Legal security	World Bank database
	Corruption	World Bank database
	Public debt	CIA Factbook
	Country risk classification	PSI distributor directory
	Presence of AS-distributors	OECD country risk classification publication
	Trade embargoes enforced	European Commission
Identification	Advertising expenditures per 1000 inhabitants	eurostat database
	GDP per capita	World Bank database
	GDP growth	World Bank database
	Economic sentiment	eurostat database
	Operational risk score	Economist Intelligence Unit
	Cost to import	World Bank database
In-depth analysis	Number of high-volume clients	European Central Bank, European university directory
	Number of active advertising specialties distributors	PSI distributor directory
	Sustainability performance	Environmental performance index database of the University of Yale
	Advertising specialties supplier density	World Bank database
	Access to advertising specialties distributors	B2B business portal: promotionalproducts1.com
	Ease of doing business	PSI distributor directory

Table 10: Selected criteria and data sources of selection stages (prepared by the author)

9.1 Pre-screening

The pre-screening stage is intended to eliminate potential countries which are not viable entry options for Cowstyle because of minimum requirements relevant to the business (cf. Root 1998, p. 32). As illustrated in chapters 3 and 4 global framework conditions influence the business environment directly or indirectly through the political and economic situation. This stage serves to ensure that the minimum requirements are met by the countries (cf. Schneider/Müller 1989, p. 20).

9.1.1 Pre-screening criteria selection

Political stability

Political stability as described by the World Bank statistical database is a measure which gauges the likelihood of political instability and/or politically motivated violence, including terrorism (cf. World Bank 2016a, p. 1). The stability of the political situation is considered a universally valid criterion for the pre-selection phase of markets since instability poses a risk (cf. Meissner 1995, p. 78). The World Bank indicator measures the absence of political instability on a scale from -2.5 to 2.5 with the lowest value (-2.5) representing high likelihood of political instability and the highest value (2.5) representing the absence of political instability. The minimum acceptable value for this indicator has been set to 0.0 based on consultation with the Cowstyle management team.

Strength of legal rights

The relative strength of legal rights in a country has also been shown to also be a factor which influences the business activities of internationalising countries (cf. Czinkota/Ronkainen/Zvobgo 2011, p. 130). Regarding Cowstyle, which exports its B2B merchandise products indirectly, the legal strength of contracts is a relevant criterion. Without effective rule of law contracts entered into with importers may not be enforced, damaging financial flows for exporters, which in turn may harm Cowstyle's revenue. The World Bank indicator for rule of law measures the reliability of the established legal institutions and their effectiveness to protect private property, business contracts etc. (cf. World Bank 2016b, p. 1). This indicator is also expressed as an index from -2.5 to 2.5. The lowest value

represents the absence of any functioning legal system. The minimum value for a potential target country has been set to 0.0 per Cowstyle's wishes.

Corruption

Government corruption is an unfavourable characteristic of target countries since a high degree of corruption can lead to increased costs for establishing business relations within the target country (cf. Roemer 2014, p. 181). These costs would of course be transferred to Cowstyle through its exporting agents. The corruption indicator provided by the World Bank measures corruption on a scale from -2.5 to 2.5, with lower values representing rampant and unchecked corruption and positive values represent lower occurrence of these practices (cf. World Bank 2016c, p. 1). The minimum value a country must achieve to be considered for further evaluation has been set to 0.0 by Cowstyle.

Public debt

Central government debt influences the risk of a country going bankrupt, which in turn affects the ability of the country to allow the transfer of money to foreign recipients, such as foreign business expecting payment in foreign currency (cf. Meffert/Bolz 1998, p. 69). The Central Intelligence Agency (CIA) World Fact Book provides an easily comprehensible overview of public debt levels across nations and bases its public debt table on data procured from organisations such as the International Monetary Fund (cf. CIA World Factbook 2017). The maximum value of public debt of a country has been set by Cowstyle to the current average of all 28 EU countries, which amounts to approximately 85% of a country's GDP.

Country risk classification

One means of measuring risk of countries is the OECD country risk classification. This listing rates the prevalent transfer and convertibility risk as well as the possibility of events such as war, expropriation, revolution, civil disturbance and natural catastrophes (cf. OECD 2016a). The risk scale is from 0 (low risk) to 7 (highest risk). As a company which relies on indirect exporting, the transfer and

convertibility risk are relevant threats to Cowstyle's business (cf. Meffert/Bolz 1998, p. 69) and are therefore included in the pre-screening. The maximum risk rating a country is permitted to have to remain a candidate for the Cowstyle B2B segment has been set to 4.

Presence of advertising specialties distributors

For a country to be remotely interesting for Cowstyle's expansion plans there must be a level of basic demand for advertising specialty products. For this reason, a further requirement for any potential country market is that there must be at least one active advertising specialties distributor operating within the country. This information is obtained from the distributor directory provided by PSI (cf. Promotional Products Service Institute 2017).

Trade sanctions enforced

To ensure that export to target countries in the CEE region is even technically possible it is necessary to consider barriers to trade such as embargoes (cf. Czinkota/Ronkainen/Zvobgo 2011, p. 119). As trade matters are under the control of the executive institutions of the EU, trade sanctions (cf. European Commission 2016f) imposed by the European Commission have been defined as a criterion for exclusion, since Austria is a full member of the EU.

9.1.2 Pre-screening method

The pre-screening phase uses an elimination method as illustrated in section 5.1.2, whereby countries which do not meet the set minimum/maximum criteria are eliminated from the list. In this method, no weighting or scoring scale is necessary for conducting this analysis stage and eliminating countries.

The illustration below shows a simplified table with all exclusion criteria, the minimum and maximum values and sample countries.

Stage 1: Pre-screening							
Indicator	Scale	Minimum value	Albania	Bulgaria	Bosnia and Herzegovina	Croatia	…………..
Political stability	-2.5/2.5	> 0					
Legal security	-2.5/2.5	> 0					
Corruption	-2.5/2.5	> 0					
Public debt	0-X	< 85%					
Country risk classification	0/7	<= 4					
Presence of advertising specialties distributor	0-X	>=1					
Trade sanctions enforced	**0-X**	0					
Elimination (X)							

Table 11: Pre-screening table (prepared by the author)

9.2 Identification

The criteria used in the second stage are a mix of industry-relevant and industry-independent variables, as several criteria affect the attractiveness for the Cowstyle B2B segment. The method employed to carry out the rating is the scoring method, as illustrated in section 9.2.2.

9.2.1 Identification criteria selection

Market attractiveness

Advertising expenditures per 1000 inhabitants

A key criterion for assessing market attractiveness for the Cowstyle B2B segment is the average amount money spent for advertising within a country. This is an industry-specific criterion which has been devised by the author to gauge the advertising intensity and demand for advertising services. To measure this intensity, the author calculated the average turnover of the advertising industry in a country per 1000 inhabitants. The structural business statistics of the European

Union Commission (cf. European Commission eurostat 2016a) offer datasets for the advertising and market research sector which will be used in the analysis. To ensure data integrity, the population count for calculating the average advertising spending per capita is also taken from the same database (cf. European Commission, eurostat 2016b).

GDP per capita

The gross domestic product per capita of a country market is a common indicator to assess a country's economic development and economic strength. GDP is an indirect indicator for market attractiveness for all kinds of industries seeking to do business in foreign markets (cf. Czinkota/Ronkainen/Zvobgo 2011, p. 88). The economic outlook reports provided by the PPAI also use leading indicator measures which evaluate the productivity of an economy to predict future demand for advertising specialties (cf. Promotional Products Association International 2016). In other words, general economic development also influences the disposition of entrepreneurs and decision makers to expend financial resources for advertising. Data for GDP per capita is procured using the World Bank database (cf. World Bank 2016d)

GDP growth

GDP growth is a criterion which is taken into consideration for the market selection concept to assess the future development of potential target markets and ensure that entry into shrinking economies is avoided, as this may have long-lasting negative effects for Cowstyle's B2B business. The development of productivity does impact behaviours such as spending money on consumer goods and equally influences businesses' sourcing behaviour, including the decision to procure advertising specialties (cf. Promotional Products Association International 2016). The data is provided by the World Bank database (cf. World Bank 2016e).

Economic sentiment indicator

The economic sentiment in a country also influences the spending behaviour of decision-makers in companies for advertising specialty items (cf. Promotional Products Association International 2016). Economic sentiment is a qualitative measure which gauges the sentiment of a population towards the economic development of a country. It is composed of several confidence indicators in areas such as the industrial, services, consumer, construction, and retail sectors (cf. European Commission eurostat 2016c). Similar to GDP per capita, the economic sentiment index indirectly influences demand for practically all kinds of private consumer and B2B products.

Market risks and market entry barriers

Operational risk score

The operational risk indicator of the Economist Intelligence Unit is a composite measure of operational risk which includes security, political stability, government effectiveness, legal and regulatory, macroeconomic, foreign trade and payment, financial, tax policy, labour market and infrastructure risks (cf. Economist Intelligence Unit 2017). The operational risk index measures risk on a scale from 0-100, with higher values representing higher risk. As a company seeking to use exports as the primary market entry mode, operational risk affects the expansion of Cowstyle's B2B segment, especially in the areas of foreign trade and payment risks. Thus, this metric is also included.

Cost to import

A further general factor which carries weight for an exporting company such as Cowstyle is the costs associated with exporting to a foreign target market (cf. Czinkota et al. 2009, p. 89-102). Regulations and bureaucratic processes incur time and money spent for business outside the home market. The world bank measures these costs in USD per container imported (cf. World Bank 2016f). Costs associated with importing can reduce the profit margin and are therefore considered in stage 2 as an assessment criterion.

9.2.2 Identification method, weighting and scaling

Since markets are to be compared based on multiple selection criteria, the method employed in the second stage is a weighted scoring method. The previously described six criteria have been weighted using a simple constant-sum scale, assigning a sum of 100 percentage points to the criteria. The weighting was carried out by three parties, Mag.(FH) Oliver Rauch, Managing Director of C.O.W. Handels & Marketing KG, Mag. Dr Arnold Schuh, head of the CEE Competence Centre of the Vienna University of Economics and Business and Dr Christof Grabmayr, head of the Foreign Trade Centre for Central and Eastern Europe of the Austrian Chamber of Commerce. The individual weighs were combined and average values for each criterion were calculated using this information. For all individual weightings and weighting calculation see Appendix A-3.

The indicator values are converted into a 10-point scale which rates the individual performance of each country on a scale of 0 to 10, 0 indicating the worst performance and 10 indicating the best performance among the countries. The values in between are interpolated using the worst-performing value as the lower scale end and the best-performing value as the upper end. The points assigned to the countries are then multiplied with their respective weighting and the sum of the weighted points represents the total score achieved by the target markets.

Stage 2: Identification											
Indicators	Global weight (W)	Albania		Bosnia and Herzegovina		Bulgaria		Croatia		....	
		S	WS	S	WS	S	WS	S	WS	S	WS
Market attractiveness											
Advertising expenditures per 1000 inhabitants	25.0%										
GDP per capita	12.5%										
GDP growth	15.0%										
Economic sentiment	17.5%										
Market risks/barriers											
Operational risk score	20.0%										
Cost to import	10.0%										
Global weight sum	**100.0%**										
Weighted total score sum											
S = unweighted Score **unweighted score scale 1-10 (1=worst; 10=best)** **W = global weight** **WS = S x W/100**											

Table 12: Identification table (prepared by the author)

9.3 In-depth analysis

The purpose of the third stage, the in-depth analysis, is to focus solely on criteria which are highly specific to the advertising specialties industry, the company and the product segment. The criteria used for assessment in the third stage make use of data sources from industry associations and serve to identify the top three performing countries for the Cowstyle B2B segment.

9.3.1 In-depth analysis criteria selection

Market attractiveness

Number of high-volume clients

The focus target group of Cowstyle Corporate Designs consists of large-scale organisations which require a higher amount of advertising specialty merchandise than regular small and medium-sized enterprises (cf. Counselor 2016, p.67; Rauch

13.10.2016). For this reason, one of the most important attractiveness criteria for Cowstyle is the number of these high-volume clients present in the target market. To assess the number of high-volume clients, statistics of the European Central Bank (cf. European Central Bank 2017) and an international university directory (cf. University Directory worldwide 2017) are utilised to assess the combined number of such institutions. A higher number of such institutions represent higher attractiveness.

Number of active advertising specialties distributors

Since distributors for advertising specialties are also an important target group for Cowstyle Corporate Designs, the number of advertising specialty distributors indirectly represents market attractiveness for the Cowstyle B2B segment (cf. Rauch 13.10.2016). Therefore, the number of advertising specialty distributors present in a country has been chosen as a selection criterion. The data source used for the number of distributors is the extensive distributor directory provided by the Promotional Products Service Institute (cf. Promotional Products Service Institute 2017), also used in the pre-screening phase. A higher number of distributors represents higher attractiveness.

Sustainability performance

A recurring challenge in the advertising specialties industry is the increasing demand of clients for sustainable production of specialty advertising items (cf. Promotional Products Service Institute 2016). Cowstyle has a competitive advantage in this regard, as explained in chapter 8. Therefore, it makes sense to consider the sentiment of a target market towards sustainability and responsible industrial manufacturing. Since there are no specific indicators for assessing this demand within a country, a proxy for the attitude towards sustainable development is the Environmental Performance Index (EPI) published by Yale University for 180 countries (cf. Yale University 2017). In this regard, the author suggests that a higher EPI score indirectly signifies a higher likelihood of clients preferring the Cowstyle Corporate Designs products over those of competitors.

Market risks and entry barriers

Advertising specialties supplier density

As described by Stahr (1993) the number of active competitors within a market decreases the attractiveness of that country market. Likewise, the density of competitors faced by Cowstyle's B2B segment is also a factor which needs to be taken into consideration when choosing the most promising foreign market. One way to evaluate the competitive intensity is to measure the number of advertising specialties manufacturers in a country. Data used for this criterion is procured via a B2B portal for promotional products (cf. Business1.com B.V. 2017), which lists distributors, manufacturers and other types of companies involved in the industry.

Access to advertising specialties distributors

Since Cowstyle does not belong to any of the major industry associations for promotional products (cf. Rauch 13.10.2016), it is assumed that the company may face problems gaining access to distributors belonging to collective organisations. The largest European network for advertising specialty manufacturers and distributors is the Promotional Products Service Institute (PSI). Distributors which are part of the PSI network can be harder to approach. Therefore, access to distributors is measured as the total number of distributors minus the number of distributors in the PSI network. The data required for measuring the number of non-members is provided by the PSI distributor directory (cf. Promotional Product Service Institute 2017).

Ease of doing business

The World Bank's "ease of doing business" index measures the degree of difficulty of doing business in terms of the regulatory framework that a national government imposes on businesses (cf. World Bank 2016g). As the advertising specialty industry faces increasing regulatory pressure regarding manufacturing compliance imposed by EU guidelines (cf. Promotional Products Service Institute 2016), this criterion is also relevant to the Cowstyle B2B segment. The indicator is a measure between 1 and 183, representing the rank for the ease of doing business. The

highest rank (1) denotes the country in which doing business is easiest, while lower ranks signify greater difficulty.

9.3.2 In-depth analysis method, weighting and scaling

Since multiple criteria have been chosen for assessment of target market suitability for the Cowstyle B2B segment, a weighted scoring method was chosen. The six criteria described above were weighted by the experts using a constant sum scale method. For all individual weightings and weighting calculation see Appendix A-3. The points assigned for the individual values displayed by the countries in each criterion are also converted using the same method. The scaling used is the same as in section 9.2.2. The weighted total score sum is then used to rank the remaining five countries, and the top three country markets are then used as focal countries for the qualitative expert interviews.

Stage 3: In-depth analysis											
Indicators	Global weight (W)	Albania		Bosnia and Herzegovina		Bulgaria		Croatia		....	
		S	WS	S	WS	S	WS	S	WS	S	WS
Market attractiveness											
Number of high-volume clients	22.5%										
Number of active advertising specialties distributors	20.0%										
Sustainability performance	12.5%										
Market risks/barriers											
Advertising specialties supplier density	22.5%										
Access to AS distributors	10.0%										
Ease of doing business	12.5%										
Global weight sum	**100.0%**										
Weighted total score sum											
S = unweighted Score **unweighted score scale 1-10 (1=worst; 10=best)** **W = global weight** **WS = S x W/100**											

Table 13: In-depth analysis table (prepared by the author)

10 Data Collection and Analysis – the CEE Region

This chapter presents the findings of the secondary and primary market research analysis of the 16 target markets of the CEE region. The results of market selection analysis are presented in the following sections, detailing the individual performance of countries in each criterion and showing the conversion of indicator values into scoring points for the weighted scoring process.

10.1 Pre-screening assessment of criteria

The pre-screening indicator values for all countries are shown in table 14.

Political and Legal factors

Political stability

Bosnia & Herzegovina, with a value of -0.45, and Macedonia with a value of -0,2 failed to meet the first minimum requirement. The highest degree of political stability is in Slovakia, with a value of 0.96 (cf. World Bank 2016h).

Legal security

Regarding legal security or rule of law, more countries violate the minimum requirement of achieving a score of at least 0.0. Albania scores lowest with a value of -0.36, followed by Bosnia & Herzegovina with a score of -0.29. Other countries which do not fulfil the minimum requirements in this criterion are Macedonia (-0.17), Bulgaria (-0.12) and Serbia (-0.09). The highest degrees of legal security are achieved by Estonia (+1.33) and the Czech Republic (+1.12). All other countries also fulfil the criterion (cf. World Bank 2016i).

Corruption

Control of corruption values are strongly similar to those for legal security, with Albania (-0.44) and Bosnia & Herzegovina (-0.37) displaying elevated levels of corruption, i.e. low control of corruption values. Other countries with negative values are Bulgaria, with a low value of -0.31, Serbia (-0.24), Macedonia (-0.13), Montenegro (-0.09) and Romania (-0.04), according to World Bank data from

2015. The highest control of corruption value achieved by a CEE country is Estonia with a value of +1.25, indicating effective measures for fighting corrupt practices (cf. World Bank 2016j).

Public debt

Regarding the degree of public debt measured as a percentage of total GDP, only one country failed to meet the minimum requirement. According to the data Croatia violates the exclusion criterion with a value of 88.3%. Most countries under review displayed moderate levels of public debt with Estonia having to the lowest debt to GDP ratio at 9.7%, according to the CIA World Factbook database (cf. Central Intelligence Agency World Factbook 2017).

Country risk classification

In the category of country risk, several countries failed to fulfil the minimum criterion. According to the OECD country risk classification, Bosnia & Herzegovina and Montenegro have the highest score at 7. Albania, with a score of 6, Croatia (5), Macedonia (5) and Serbia (5) also did not meet the minimum requirement. Other countries are not evaluated by the OECD ranking since they are high-income OECD member states, except for Bulgaria and Romania which were both awarded a score of 3 (cf. OECD 2016a).

Presence of advertising specialties distributors

Except for Albania, Macedonia and Montenegro all countries had a local distributor for advertising specialties listed in the search directory of the Promotional Products Service Institute (cf. Promotional Products Service Institute 2017).

Trade sanctions enforced

According to the European Commission no trade sanctions are currently imposed on any of the countries under analysis (cf. European Commission 2017g).

10.2 Results of pre-screening

The table below shows the results of the pre-screening process.

Stage 1: Pre-screening																		
Indicators	Scale	Minimum value	Albania	Bulgaria	Bosnia and Herzegovina	Croatia	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Macedonia	Montenegro	Poland	Romania	Serbia	Slovakia	Slovenia
Political stability	-2.5/2.5	> 0	0.36	0.01	-0.45	0.58	0.96	0.62	0.73	0.42	0.70	-0.20	0.13	0.87	0.20	0.23	0.96	0.91
Legal security	-2.5/2.5	> 0	-0.36	-0.12	-0.29	0.20	1.12	1.33	0.40	0.79	0.98	-0.17	0.03	0.80	0.15	-0.09	0.48	0.95
Corruption	-2.5/2.5	> 0	-0.44	-0.31	-0.37	0.20	0.39	1.25	0.10	0.40	0.56	-0.13	-0.09	0.58	-0.04	-0.24	0.15	0.73
Public debt	0 %-X %	< 85%	71.0	26.2	46.5	88.3	40.8	9.7	75.1	38.4	41.8	50.5	59.5	44.7	39.3	78.5	52.4	81.8
Country risk classification	0/7	<= 4	6	3	7	5	0	0	0	0	0	5	7	0	3	5	0	0
Presence of advertising specialties distributor	0-X	>=1	NO	YES	YES	YES	YES	YES	YES	YES	YES	NO	NO	YES	YES	YES	YES	YES
Trade sanctions enforced	0-X	NONE	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Elimination			X	X	X	X						X	X		X	X		

Table 14: Pre-screening analysis results (prepared by the author)

Pre-screening elimination	
Countries	**Violated exclusion criteria**
Albania	Legal security, Corruption, Country risk classification, Presence of advertising specialties distributors
Bulgaria	Legal security, Corruption
Bosnia and Herzegovina	Political stability, Legal security, Corruption, Country risk classification
Croatia	Public debt, Country risk classification
Czech Republic	NONE
Estonia	NONE
Hungary	NONE
Latvia	NONE
Lithuania	NONE
Macedonia	Political stability, Legal security, Corruption, Country risk classification, Presence of advertising specialty distributors
Montenegro	Corruption, Country risk classification, Presence of advertising specialties distributors
Poland	NONE
Romania	Corruption
Serbia	Legal security, Corruption, Country risk classification
Slovakia	NONE
Slovenia	NONE

Table 15: List of elimination reasons (prepared by the author)

10.3 Identification assessment of criteria

Detailed calculations for indicator values and scoring points of the in-depth analysis stage can be found in Appendixes A-4 – A7.

Market attractiveness

Advertising expenditures per 1000 inhabitants

In average advertising expenditures per 1000 inhabitants, the Czech Republic's industry has the highest expenditures, with 307 EUR spent per 1000 inhabitants. The following countries do not show significant differences in advertising expenditures: Slovakia with 229 EUR, Latvia with 224 EUR, Estonia with 221 EUR

and Slovenia with 215 EUR. The next tier of countries shows the lowest spending figures of all the remaining markets: Poland at 163 EUR followed by Hungary with 157 EUR and, finally, the country with the smallest amount of advertising spending per 1000 inhabitants is Lithuania at only 146 EUR.

Remaining countries	Advertising expenditures per 1000 inhabitants (EUR)	Converted scoring points
Czech Republic	307	10.0
Estonia	221	3.6
Hungary	157	0.7
Latvia	224	4.9
Lithuania	146	0.0
Poland	163	1.0
Slovakia	229	5.2
Slovenia	215	4.2

Table 16: Advertising expenditures per 1000 inhabitants (EUR) (prepared by the author, based on European Commission eurostat 2016d; European Commission eurostat 2016e)

GDP per capita

The Czech Republic and Slovenia were shown to have the highest GDP per capita, with the Czech Republic at 33,770 USD and Slovenia at 31,990 USD. Slovakia demonstrated a GDP per capita of 29,931. The Baltic countries, on the other hand, display lower levels of GDP per capita, with 28,987 USD in Estonia and 28,776 USD in Lithuania. Poland (26,862 USD), Hungary (26,457 USD) and Latvia (24,899 USD/capita) form the lower end of the spectrum.

Remaining countries	GDP per capita (PPP in USD)	Converted scoring points
Czech Republic	33,770	10
Estonia	28,987	4.6
Hungary	26,457	1.8
Latvia	24,899	0.0
Lithuania	28,776	4.4
Poland	26,862	2.2
Slovakia	29,931	5.7
Slovenia	31,990	8.0

Table 17: GDP per capita (PPP in USD) (prepared by the author, based on World Bank 2016d)

GDP growth

Economic growth rates of individual countries vary between 1.4% and 4.5%. Again, the Czech Republic shows the highest annual growth rate with 4.54%. In contrast to the previous criteria, the country with the second highest growth rate is not Slovenia or Slovakia, but Poland with a rate of 3.94%. Next is Slovakia with 3.83%, followed by Hungary with a rate of 3.14%. The next countries show growth rates below 3%, Latvia (2.74%), Slovenia (2.32%). The slowest-growing countries were Lithuania (1.61%) and Estonia (1.44%).

Remaining countries	GDP growth (annual%)	Converted scoring points
Czech Republic	4.54	10.0
Estonia	1.44	0.0
Hungary	3.14	5.5
Latvia	2.74	4.2
Lithuania	1.61	0.6
Poland	3.94	8.1
Slovakia	3.83	7.7
Slovenia	2.32	2.8

Table 18: GDP growth (annual%) (prepared by the author, based on World Bank 2016e)

Economic sentiment

The economic sentiment values according to eurostat statistics show that Hungary's businesses and population are the most optimistic, with an average ESI of 112.4. This is closely followed by Lithuania with a score of 110.8. Slovenia takes third place with 109 before the Czech Republic at 108.4. Latvia and Estonia are almost identical with scores of 104.2 and 104 respectively. The least optimistic within the country group are Slovakia with a score of 103.9 and Poland with an ESI of 101.1.

Remaining countries	Economic sentiment indicator (index score)	Converted scoring points
Czech Republic	108.4	6.5
Estonia	104.0	2.6
Hungary	112.4	10.0
Latvia	104.2	2.7
Lithuania	110.8	8.6
Poland	101.1	0.0
Slovakia	103.9	2.5
Slovenia	109.0	7.0

Table 19: Economic sentiment indicator (index score) (prepared by the author, based on European Commission eurostat 2016c)

Market risks and barriers

Operational risk score

According to the EIU data Estonia is the least risky in terms of operational risk factors, with a score of 23 on the scale. The second least risky market is Slovenia with a score of 25, followed by three countries with the exact same score of 28: the Czech Republic, Latvia and Lithuania. Slovakia ranks at the lower end of the spectrum with a score of 29 while the high risk is faced in Hungary with a score of 32 and Poland with the highest risk score of 35.

Remaining countries	Operational risk score (ranking score)	Converted scoring points
Czech Republic	28	5.8
Estonia	23	10.0
Hungary	32	2.5
Latvia	28	5.8
Lithuania	28	5.8
Poland	35	0.0
Slovakia	29	5.0
Slovenia	25	8.3

Table 20: Operational risk score (ranking score) (prepared by the author, based on Economist Intelligence Unit 2017)

Cost to import

Regarding the import costs the cheapest export conditions are found in Latvia at only 600 USD per container imported. Close behind are Slovenia (745 USD/container), Lithuania (750 USD/container) and Estonia (765 USD/container). Hungary (885 USD/container) and Poland (1,050 USD/container) are in the middle regarding costs to export, while the Czech Republic (1,240 USD/container) and Slovakia (1,525 USD/container) have less favourable importing cost conditions.

Remaining countries	Cost to import (USD per container)	Converted scoring points
Czech Republic	1,240	3.0
Estonia	765	8.2
Hungary	885	6.9
Latvia	600	10.0
Lithuania	750	8.4
Poland	1,050	5.1
Slovakia	1,525	0.0
Slovenia	745	8.4

Table 21: Cost to import (USD per container) (prepared by the author, based on World Bank 2016f)

10.4 Results of identification

Based on the combined total scores of each country (see table 22), the top five countries were chosen for further analysis. Regarding individual performance, the consistently high scores of several countries are noteworthy. The Czech Republic achieved high scores for most categories (7.9). The same applies to Slovenia with a total score of 6.2. The other countries in the middle have similar scores, all below a total of 5, including Estonia (4.8), Latvia (4.5), and Slovakia (4.6). The countries eliminated are Lithuania (4.2), Hungary (4.2) and Poland (2.3).

Stage 2: Identification

Indicators	Global weight (W)	Czech Republic		Estonia		Hungary		Latvia		Lithuania		Poland		Slovakia		Slovenia	
		S	WS	S	WS	S	WS	S	WS	S	WS	E	WS	E	WS	E	WS
Market attractiveness																	
Advertising expenditures per 1000 inhabitants	25.0%	10.0	2.5	3.6	0.9	0.7	0.2	4.9	1.2	0.0	0.0	1.0	0.3	5.2	1.3	4.2	1.1
GDP per capita	12.5%	10.0	1.3	4.6	0.6	1.8	0.2	0.0	0.0	4.4	0.6	2.2	0.3	5.7	0.7	8.0	1.0
GDP growth	15.0%	10.0	1.5	0.0	0.0	5.5	0.8	4.2	0.6	0.6	0.1	8.1	1.2	7.7	1.2	2.8	0.4
Economic sentiment	17.5%	6.5	1.1	2.6	0.5	10.0	1.8	2.7	0.5	8.6	1.5	0.0	0.0	2.5	0.4	7.0	1.2
Market risks/barriers																	
Operational risk score	20.0%	5.8	1.2	10.0	2.0	2.5	0.5	5.8	1.2	5.8	1.2	0.0	0.0	5.0	1.0	8.3	1.7
Cost to import	10.0%	3.0	0.3	8.2	0.8	6.9	0.7	10.0	1.0	8.4	0.8	5.1	0.5	0.0	0.0	8.4	0.8
Global weight sum	**100.0%**																
Weighted total score sum			**7.9**		**4.8**		**4.2**		**4.5**		**4.2**		**2.3**		**4.6**		**6.2**

S = unweighted Score
unweighted score scale 1-10 (1=worst; 10=best)
W = global weight
WS = S x W/100

Table 22: Country identification analysis results (prepared by the author)

The top five countries in the rankings progressed to the next stage of selection, the in-depth analysis stage.

Identification ranking		
Countries	**Score**	**Rank**
Czech Republic	7.9	1
Slovenia	6.2	2
Estonia	4.8	3
Slovakia	4.6	4
Latvia	4.5	5
Hungary	4.2	6/7
Lithuania	4.2	6/7
Poland	2.3	8

Table 23: Country ranking after identification stage analysis (prepared by the author)

10.5 In-depth analysis assessment of criteria

Detailed calculations for indicator values and scoring points of the in-depth analysis stage can be found in Appendixes A-7 – A10.

Market attractiveness

Number of high-volume clients

The Czech Republic has a clear advantage with more than 57 credit institutions and 37 higher education institutions. The next-best country in terms of these clients is Slovakia, with 27 credit institutions and 22 universities, closely followed by Latvia with 36 credit institutions and 9 universities. Slovenia ranks 4th with 30 credit institutions and 8 higher education institutions while Estonia ranks last with 27 credit institutions and only 9 universities.

Remaining countries	High-volume clients (Number of institutions)	Converted scoring points
Czech Republic	94	10.0
Estonia	36	0.0
Latvia	45	1.6
Slovakia	49	2.2
Slovenia	38	0.3

Table 24: High-volume clients for the advertising specialties industry (number of institutions) (prepared by the author, based on European Central Bank 2017; University Directory worldwide 2017)

Number of active advertising specialties distributors

According to the PSI distributor directory the Czech Republic takes 1st place with 107 distributors, Slovenia is the second most attractive market with 73 distributors, followed by Slovakia with 47 and Estonia with 32 distributors. The country with the smallest number of distributors was Latvia with 26 potential distribution partners in the advertising specialties industry.

Remaining countries	Advertising specialties distributors (number of companies)	Converted scoring points
Czech Republic	107	10.0
Estonia	32	0.7
Latvia	26	0.0
Slovakia	47	2.6
Slovenia	73	5.8

Table 25: Advertising specialties distributors (number of companies) (prepared by the author, based on Promotional Product Service Institute 2017)

Sustainability performance

Regarding the national attitude towards sustainability, the Environmental Performance Index (EPI) attests high scores for all five remaining countries. There are slight differences between the individual countries. Slovenia reached the highest score of 88.98 with Estonia closely following at 88.59 points. Latvia

achieved 3rd place with 85.71, and Slovakia 4th with an index score of 85.42. The Czech Republic achieved the lowest score of 84.67.

Remaining countries	Sustainability performance (Yale University EPI score)	Converted scoring points
Czech Republic	84.67	0.0
Estonia	88.59	9.1
Latvia	85.71	2.4
Slovakia	85.42	1.7
Slovenia	88.98	10.0

Table 26: Sustainability performance (Yale University EPI score) (prepared by the author, based on Yale University 2017)

Market risks and barriers

Advertising specialties supplier density

The country with the lowest supplier density and therefore the most attractive market in this regard is Estonia with only one registered supplier. Second is Slovakia with five, and Latvia takes 3rd place with seven active competitors. The lower-end countries with the highest competitive intensity are Slovenia with 10 suppliers and the Czech Republic with more than 13 suppliers.

Remaining countries	Advertising specialties supplier density (number of suppliers)	Converted scoring points
Czech Republic	13	0.0
Estonia	1	10.0
Latvia	7	5.0
Slovakia	5	6.6
Slovenia	10	2.5

Table 27: Advertising specialties supplier density (number of suppliers) (prepared by the author, based on Business1.com B.V.2017)

Access to advertising specialties distributors

The highest number of accessible distribution partners is the Czech Republic with 62, followed by Slovenia with 54. In third position is Slovakia with 29 distribution partners. Estonia (20) and Latvia (13) are the least attractive in this regard.

Remaining countries	Distributor access (number of non-members of PSI network)	Converted scoring points
Czech Republic	62	10.0
Estonia	20	1.4
Latvia	13	0.0
Slovakia	29	3.3
Slovenia	54	8.4

Table 28: Access to advertising specialties distributors (number of non-members of PSI network) (prepared by the author, based on Promotional Product Service Institute 2017)

Ease of doing business

The most business-friendly environment is found in Estonia, with a rank of 11, followed by Latvia in 17th place. The Czech Republic ranks 26th. Within the five remaining countries the least business friendly environments are found in Slovakia and Slovenia, both in 30th place in the index.

Remaining countries	Ease of doing business index (ranking score)	Converted scoring points
Czech Republic	26	2.1
Estonia	11	10.0
Latvia	17	6.8
Slovakia	30	0.0
Slovenia	30	0.0

Table 29: Ease of doing business index (ranking score) (prepared by the author, based on World Bank 2016g)

10.6 Results of in-depth analysis

Based on the combined total scores of each country within the six criteria, the three most promising country markets are the Czech Republic, Slovenia and Estonia. The Czech Republic achieved the highest score of 5.6, Estonia scored 4.9 and Slovenia reached 4.0, while Slovakia scored 3.0 and Latvia 2.7 points.

The Czech Republic's score is derived from superior performance in most market attractiveness criteria, while the country ranked average to below average in the other criteria. Estonia's score can mostly be explained by the high scores for market barriers and risks, meaning a seemingly business-friendly environment and low competition. Slovenia's final score in this stage is due to a moderate score in market attractiveness criteria and high scores in the market risks and barriers section. Latvia and Slovakia had below-average scores in almost all categories and therefore received the lowest score out of the five remaining countries.

Stage 3: In-depth analysis											
Indicators	**Global weight (W)**	Czech Republic		Estonia		Latvia		Slovakia		Slovenia	
		S	WS	S	WS	S	WS	S	WS	S	WS
Market attractiveness											
Number of high-volume clients	22.5%	10.0	2.3	0.0	0.0	1.6	0.4	2.2	0.5	0.3	0.1
Number of active advertising specialties distributors	20.0%	10.0	2.0	0.7	0.1	0.0	0.0	2.6	0.5	5.8	1.2
Sustainability performance	12.5%	0.0	0.0	9.1	1.1	2.4	0.3	1.7	0.2	10.0	1.3
Market risks/barriers											
Advertising specialties supplier density	22.5%	0.0	0.0	10.0	2.3	5.0	1.1	6.6	1.5	2.5	0.6
Access to AS distributors	10.0%	10.0	1.0	1.4	0.1	0.0	0.0	3.3	0.3	8.4	0.8
Ease of doing business	12.5%	2.1	0.3	10.0	1.3	6.8	0.9	0.0	0.0	0.0	0.0
Global weight sum	**100.0%**										
Weighted total score sum			**5.6**		**4.9**		**2.7**		**3.0**		**4.0**

S = unweighted Score
unweighted score scale 1-10 (1=worst; 10=best)
W = global weight
WS = S x W/100

Table 30: In-depth analysis results (prepared by the author)

With the resulting scores, the top three remaining target markets are the Czech Republic, Estonia and Slovenia, which are analysed in the expert interviews in the following chapter.

In-depth analysis ranking		
Countries	Score	Rank
Czech Republic	5.6	1
Estonia	4.9	2
Slovenia	4.0	3
Slovakia	3.0	4
Latvia	2.7	5

Table 31: Country ranking after in-depth analysis stage (prepared by the author)

10.7 Expert interview results

For the final selection stage, nine experts were consulted regarding macro-economic, micro-economic and industry-specific criteria used in the previous selection stages.

Expert interview contacts information		
Expert name	**Institution/Company**	**Expert status**
Dr Arnold Schuh	Vienna University of Economics and Business, Director of CEE Competence Centre	CEE region
Dr Christoph Grabmayr	Austrian Chamber of Commerce, Director of the Centre for External Trade for Central Europe and the Baltics	CEE region
Mag Christian Gessl	Globe Consultants GmbH, former Director of the Centre for External Trade for Central Europe and the Baltics	CEE region
Mmag Gerhard Schlattl	Austrian Chamber of Commerce, Vice Delegate of the Centre for External Trade Prague	Czech Republic
Mag Eva Pfurtscheller	Austrian Chamber of Commerce, Vice Delegate of the Centre for External Trade Ljubljana	Slovenia
Dr Ingrid Valentini-Wanka	Austrian Chamber of Commerce, Vice Delegate of the Centre for External Trade Riga	Estonia
DI Eva Farkacova	Ecoplus International GmbH, CEO Ecoplus International Czech Republic	Czech Republic
Mag Hermine Vidovic	Vienna Institute for International Economic Studies, Country expert for Slovenia	Slovenia
Dr Herwig-Hans Palfinger	Advantage Austria, director of Advantage Austria Estonia office	Estonia

Table 32: Expert interview contacts (prepared by the author)

Respondents were asked questions about the remaining countries to confirm the findings of the quantitative analysis and gather new insights relevant to the selection task. The following topics were used (for the full interview guides see Appendixes A-11 – A-18):

- Recovery from financial crisis
- Economic importance for Western European countries and the EU
- Political and legal situation
- Economic situation
- Business potential of the advertising industry
- Market attractiveness
- Market risks/barriers
- Attitude towards sustainability
- Ease of building business relationships
- Sales potential for the advertising specialty industry

Questions regarding strategic considerations and recommendations are integrated in the final country rankings (section 10.8) and recommendations (section 10.9):

- Strategic considerations: first-choice country for SMEs
- Strategic considerations: best country choice for further CEE expansion
- Further aspects to consider for market selection in CEE
- Further steps to be taken after completed analysis

To ensure the anonymity of the experts' statements, names are not cited directly on the following pages, and instead the experts are called Respondents 1-9.

10.7.1 Czech Republic – expert interview input

Recovery from financial crisis

The financial sector in the Czech Republic was not as severely affected by the crisis as in other countries of the region; however, the negative effects were particularly noticeable for the manufacturing industries, notably the automotive industry (cf. Respondent 4 06.06.2017). A noticeable effect of the crisis surfaced later, but in general the financial crisis was less severe for countries such as the Czech Republic (cf. Respondent 5 03.05.2017). Evidence for the recovery of the Czech Republic includes economic growth, low public debt and rising employment, and in fact the unemployment rate of the Czech Republic has been among the

lowest in the EU in recent years (cf. Respondent 3 20.04.2017), indicating a healthy economy.

Economic importance for Western Europe and the EU

The Czech Republic remains a popular choice for foreign investment by Western European companies due to favourable investment conditions (cf. Respondent 4 06.06.2017). Export efforts launched by Austrian companies into the Czech Republic in 2016 and early 2017 also constitute evidence for the high popularity of the market as an export destination (cf. Respondent 4 06.06.2017). About 1,800 Austrian businesses are actively operating in the Czech Republic, and many of these are Czech businesses with Austrian capital investments. For Austria, the Czech Republic is the 4th most important export market within the European Union, and Austrian businesses are represented in almost all industries (cf. Respondent 3 20.04.2017).

Political-legal situation

The country is stable in terms of politics and legal issues. Worker strikes, which occur with some regularity, are the only incidents worth mentioning which affect companies with subsidiaries in the Czech Republic, although this does not affect companies importing into the country (cf. Respondent 3 20.04.2017). Regarding legal security, the system in place for settling commercial disputes is reliable and works, but the process is slow and decisions can take years (cf. Respondent 4 06.06.2017).

Economic situation

The growth and economic stability of the Czech Republic are forecast to remain the same as in 2016, with steady growth rates. In the following years a 2.5 to 3% increase in economic productivity is expected, but unforeseen developments can of course not be accounted for (cf. Respondent 4 06.06.2017). No reasons for a possible downturn can be detected at the moment. In fact, the Czech Republic's export business is booming to such a degree that local companies are having

trouble filling export orders and have to give up contracts because production is at maximum and companies lack skilled workers (cf. Respondent 3 20.04.2017).

Business potential of the advertising industry

Advertising as a business is growing in the Czech Republic. However, as with other countries in the CEE region, digital advertising is growing faster than in countries such as Austria (cf. Respondent 4 06.06.2017) and companies prefer digital advertising over traditional methods. Certain industries, such as production and manufacturing, are not interested in traditional means of advertising, while larger corporations in banking and finance still use traditional means such as advertising specialties (cf. Respondent 4 06.06.2017). The advertising budgets of large companies are generous because competitive pressure in almost all industries in the Czech Republic is high (cf. Respondent 3 20.04.2017).

Market attractiveness

The market for Austrian SMEs in the advertising specialties industry is attractive because the Czech Republic is the largest of the markets with regard to overall size and population (cf. Respondent 7 01.06.2017, Respondent 1 06.04.2017, Respondent 5 03.05.2017). Another positive factor is that substantial number of Austrian credit institutions, banks and insurance companies operate in Prague (cf. Respondent 4 06.06.2017). It is likely that companies in the Czech Republic have larger budgets for conducting B2C advertising due to sheer population size, which therefore creates more potential for the Cowstyle B2B segment (cf. Respondent 1 06.04.2017). However, since Czech businesses are highly price-sensitive, margins may be lower because of the lower prices which must be set (cf. Respondent 4 06.06.2017). While the achievable market volume is the highest out of all three countries, competition among suppliers of advertising specialties will be equally strong (cf. Respondent 3 20.04.2017).

Market risks

The Czech Republic is considered a low-risk country in this respect. Political and economic risk is low because of the current situation, and the cultural and geographic proximity to Austria guarantee a certain degree of security (cf. Respondent 5 03.05.2017; Respondent 4 06.06.2017; Respondent 3 20.04.2017). Investments and foreign companies are well protected in the Czech Republic because of the government's initiative to strengthen the country as a foreign business partner (cf. Respondent 4 06.06.2017). The fact that the Czech Republic uses a different currency than most EU members is not an issue, as fluctuations in the exchange rate are negligible (cf. Respondent 3 20.04.2017).

Sustainability attitude

The attitude towards sustainable consumption and production currently plays a minor role in the Czech Republic (cf. Respondent 3 20.04.2017). Although Czech businesses and the general populace value products made from natural materials such as wood (cf. Respondent 4 06.06.2017), sustainable products are a complicated subject due to the relatively high price sensitivity (cf. Respondent 3 20.04.2017; Respondent 4 06.06.2017). Since Czech businesses would perceive sustainable products to be high quality and therefore more expensive, sustainability is a low buying priority, especially for small and medium-sized enterprises (cf. Respondent 4 06.06.2017)

Building business relationships

In general building relationships is facilitated if the product or service in question is of high quality. However, Czech companies do not recognize the brand "made in Austria" as indicative of quality as they do with products and services originating in Germany (cf. Respondent 4 06.06.2017). Making contact with potential business partners is easy due to the similarities in culture, but completing business transactions may be complicated due to high price sensitivity (cf. Respondent 3 20.04.2017; Respondent 4 06.06.2017). Business and private life are not as strongly separated as in Estonia, for instance, and personal relationships affect professional ones (cf. Respondent 5 03.05.2017).

Sales potential for advertising specialties

The Czech Republic is the largest market for B2C products by volume because of the sheer size of the population, four times larger than Slovenia and five times larger than Estonia (cf. Respondent 3 20.04.2017, Respondent 1 06.04.2017, Respondent 5 03.05.2017). Additionally, the capital city Prague and Brno offer a vast range of different potential business partners in the banking and finance sector (cf. Respondent 4 06.06.2017). Many of these businesses are also Austrian subsidiaries which offers a home advantage to Cowstyle.

10.7.2 Estonia – expert interview input

Recovery from financial crisis

The Estonian economy has suffered from the effects of the last financial crisis because, as a small economy, the country is dependent on demand from foreign countries and is therefore impacted by negative developments abroad (cf. Respondent 5 03.05.2017; Respondent 8 27.04.2017; Respondent 9 08.06.2017). The recovery of the country can be largely attributed to the facts that foreign demand rose significantly in recent years and that Estonia enjoys generous subsidies from the European Commission (cf. Respondent 8 27.04.2017, Respondent 9 08.06.2017).

Economic importance for Western Europe and EU

Estonia is a small economy (cf. Respondent 1 06.04.2017; Respondent 7 01.06.2017) and therefore also a small market for Western European companies and the EU. However, of all the Baltic states, Estonia is the most important for Austria, with the highest amount of direct foreign investment from Austria (cf. Respondent 8 27.04.2017). The economy is growing again, but slowly. Regarding the importance of countries for Austria, Estonia ranks as the 65th most important trade partner, compared to the Czech Republic in 6th place and Slovenia in 12th (cf. Respondent 8 27.04.2017). Thus, it is less of a priority market in general.

Political-legal situation

The political situation is stable, although the country's demographics with regard to the Russian-speaking population and the latest geopolitical events such as the presidency of Donald Trump have again caused worry amongst the population (cf. Respondent 8 27.04.2017). Although there is a considerable number of people who speak Russian, all Baltic states distance themselves from Russia despite their dependence on Russian demand for imports and the growing tensions between the US and Russia (cf. Respondent 8 27.04.2017).

Economic situation

Estonia's economy has recovered from the financial crisis and all predictions point to stronger growth of about 3% in 2017 (cf. Respondent 9 08.06.2017). This is largely due to the 2014-2020 subsidy cycle provided by the EU, but also because of steadily increasing wages of about 6-7% per year and growing private consumption, which is a driving force for the Estonian economy (cf. Respondent 8 27.04.2017). The economy is growing, but the country is facing an emigration problem which in the long run may cause even more severe shortages of labour and in turn may slow down the economy (cf. Respondent 8 27.04.2017).

Business potential of the advertising industry

The advertising industry is dependent on current economic development, as it is one of the activities in which budget cuts are most frequent when the economy is in a state of decline (cf. Respondent 8 27.04.2017; Respondent 9 08.06.2017). In the case of Estonia, this also means that more money is spent on average for advertising now than during the crisis, but the actual potential in the country is difficult to quantify. Potential certainly does exist because there are suppliers of advertising specialty products in Estonia and design and graphic artists in Estonia have a good reputation amongst Austrian clients (cf. Respondent 8 27.04.2017).

Market attractiveness

Market attractiveness in Estonia for Austrian businesses is low compared to other destinations. Austrian businesses have difficulty finding reasons why they should operate in Estonia (cf. Respondent 8 27.04.2017; Respondent 9 08.06.2017). Business should take into consideration that other Baltic states may also be entered more easily when starting with Estonia (cf. Respondent 8 27.04.2017). Within the CEE region Estonia is the most business-friendly country for market entry. The Estonian government supports streamlined bureaucracy more than any other and makes it easy for foreign companies to establish themselves within its borders (cf. Respondent 8 27.04.2017).

Market risks

From a business point-of-view, Estonia poses little to almost no market risk (cf. Respondent 8 27.04.2017; Respondent 9 08.06.2017). Although there are currently some concerns regarding the dynamic between Russia, the United States and NATO, in political terms no risk is evident (cf. Respondent 8 27.04.2017; Respondent 9 08.06.2017). Regarding commercial risk, Estonian businesses are reliable partners, with high payment discipline and a negligible number of companies having problems paying for goods and services (cf. Respondent 8 27.04.2017).

Sustainability attitude

Regarding the attitude towards sustainability, the results are surprising. Estonia is considered an environmentally conscious country, but regarding products and especially advertising specialty items businesses and consumers see no problem in using synthetic cheap materials rather than sustainable materials (cf. Respondent 8 27.04.2017). Estonians have a strong connection to nature but apparently this is not important for consumer products and B2B products (cf. Respondent 8 27.04.2017; Respondent 9 08.06.2017).

Building business relationships

When it comes to building business relationships, the language barrier is comparable to the Czech Republic or Slovenia. Although not all business partners speak English, younger generations working within companies perceive English to be universally useful and therefore conducting business is not an issue (cf. Respondent 8 27.04.2017). Estonians have a negative attitude towards price negotiations and will cancel negotiations if too much haggling is taking place (cf. Respondent 8 27.04.2017). However, regarding first contact Estonians are easy to engage for business and are honest and reliable partners (cf. Respondent 9 08.06.2017).

Sales potential for advertising specialties

The Estonian market is small, given its population and business density (cf. Respondent 9 08.06.2017). Regarding the target group of high-volume customers, it must be noted that in the public sector of universities budgets are small, and such institutions may have less disposable income to spend on advertising. The financial sector is more interesting for the Cowstyle B2B sector, but there are fewer Austrian partners to choose from than in other countries (cf. Respondent 8 27.04.2017).

10.7.3 Slovenia – expert interview input

Recovery from financial crisis

Slovenia has recovered from the financial crisis. The years 2013 and 2014 were among the worst regarding general economic performance, with negative growth rates between -2.7 and -1.1% compared to the highest positive growth rate before the crisis in the year 2000 with about 4.2%. Since 2014 the country's economy has recorded a growth rate between 2.3 to 3% annually, and this trend is predicted to continue (cf. Respondent 2 19.04.2017; Respondent 6 30.05.2017). The crisis was severe for Slovenia in the financial sector especially since the country was benefitting immensely from the introduction of the euro and from low interest rates, and the associated cheap financial investments from abroad (cf. Respondent 6 30.05.2017).

Economic importance for Western Europe and the EU

Although smaller in market size (the Czech Republic is four times larger than Slovenia (cf. Respondent 5 03.05.2017)), Slovenia is nevertheless considered to be an important market for Austrian business expansion, as evidenced by the fact that more than 700 Austrian companies operate on-site in Slovenia and an annual trade volume of around EUR 4.5 billion was recorded in 2016 (cf. Respondent 2 19.04.2017). Although the country is small, the geographic proximity to Austria and a positive image of the Austria brand lead to a consumption rate of Austrian goods which is rated at EUR 1,300 per capita annually (cf. Respondent 2 19.04.2017).

Political-legal situation

The political situation in Slovenia is very stable. The country is currently led by a middle-left coalition. As in other countries, members of the government come and go frequently, but there have been no scandals or events of instability recently, unlike in previous years when things were more turbulent (cf. Respondent 6 30.05.2017). Topics such as problems with the tax system, payment discipline of companies and corruption do resurface from time to time, but to a negligible extent compared to other former Yugoslav countries (cf. Respondent 2 19.04.2017).

Economic situation

Slovenia shows slower but steady growth compared to before the crisis, and this is expected to continue for at least the next five years. As a small country Slovenia also relies on export and import activities to strengthen the economy, which has led to an export rate of over 80% and an annual growth rate of imported and exported value of 6% (cf. Respondent 2 19.04.2017). International trade is encouraged in Slovenia, as confirmed by the fact that trade does not suffer from overregulation and exorbitant red tape barriers. Industrial production is on the rise, unemployment is in decline and foreign trade is dynamic (cf. Respondent 6 30.05.2017).

Business potential of the advertising industry

Companies place value on promoting themselves and their products, including the use of company presents and giveaways. Potential for the advertising industry certainly exists in Slovenia (cf. Respondent 2 19.04.2017). Seasonal events such as Christmas are important for advertising companies and company presents are popular (cf. Respondent 2 19.04.2017). Due to the improved economic situation and higher levels of industrial production it can also be assumed that potential for advertising specialties is growing as well (cf. Respondent 6 30.05.2017).

Market attractiveness

The attractiveness of the Slovenian market is moderately high because Austrian businesses, especially banks, have long been invested in the country and could therefore be easily acquired customers (cf. Respondent 2 19.04.2017). Naturally, the small population may suggest that less B2C advertising is being carried out by companies than in the Czech Republic (cf. Respondent 1 06.04.2017; Respondent 6 30.05.2017). For Austrian businesses in general, however, the Slovenian market is a popular destination despite the limitations in market volume (cf. Respondent 2 19.04.2017). According to the experts, distance to the home market is also an advantage of the Slovenian market (cf. Respondent 5 03.05.2017).

Market risks

Market risk is low for Austrian companies because of the physical and cultural proximity to Austria and the economic and political stability, combined with the reliability of business partners in the Slovenian market (cf. Respondent 2 19.04.2017). Investment and trade with Slovenia are encouraged by its government institutions since Slovenia is reliant on foreign trade. This in turn has led the government to create a business environment for foreign countries which is consistent and business-friendly in terms of rules and regulations (cf. Respondent 6 30.05.2017).

Sustainability attitude

Slovenia is a very green country (cf. Respondent 1 06.04.2017; Respondent 7 01.06.2017), as evidenced by the numerous outdoor activities pursued by Slovenians themselves and the fact the capital was named European Green Capital in 2016 by the European Commission (cf. Respondent 2 19.04.2017). The government pursues environmental protection and invests in sustainable production and consumption (cf. Respondent 6 30.05.2017). Out of the three countries, Slovenia is the most developed with regard to environmental protection and sustainable development and consumption. However, the price for such products will be considered more important than the sustainability advantage, albeit less so than in the Czech Republic (cf. Respondent 5 03.05.2017).

Building business relationships

Access to business contacts is easy since Slovenia fosters foreign business relationships because of its foreign trade dependency. Geographic proximity and similarities in culture further ease the search for potential contacts and business opportunities. Slovenian businesses have good command of foreign languages, including English and German (cf. Respondent 2 19.04.2017). While access to contacts may be easy, there can occasionally be problems with the reliability of Slovenian business contacts concerning negotiations or prior agreements (cf. Respondent 6 30.05.2017).

Sales potential of advertising specialties

The Slovenian market's potential for advertising specialties is also high, although the B2C market is smaller than in the Czech Republic. This is because the Slovenian economy is dependent on Austrian imports of goods and services, with a high per capita expenditure for these products (cf. Respondent 2 19.04.2017). The presence of many Austrian firms, banks and insurance companies ensures a high sales potential for Austrian companies (cf. Respondent 6 30.05.2017).

10.8 Final ranking of countries

A final ranking of countries can now be presented based on the expert interview input. The countries were given an overall rating in three major categories which was then aggregated:

- **Market attractiveness:** criteria such as sales potential, number of clients and attitude towards sustainable products
- **Market risks/barriers:** political and economic stability, competitive situation, price sensitivity and other factors
- **Strategic considerations:** possible advantages/disadvantages regarding geographic position for further expansion and a possible established Austrian business presence

10.8.1 First place – Czech Republic

The Czech Republic was chosen as the most attractive market for the Cowstyle B2B segment for several important reasons.

Czech Republic - an overview

General information		Market data advertising specialties	
Capital	Prague	GDP per capita (PPP in USD)	33,770
Currency	Czech koruna (CZK)	GDP growth (annual%)	4.54
Official language	Czech	Advertising expenses per 1000 inhabitants (EUR)	307
Population	10,554,000	High-volume clients (number of institutions)	94
Foreign trade with Austria			
Austrian imports into the Czech Republic (USD in Mio.)	4,727	Advertising specialties distributors (number of companies)	107
		Advertising specialties supplier density (number of suppliers)	13
Czech imports into Austria (USD in Mio.)	5,577	Cost to import (per container in USD)	1,240

Figure 11: Czech Republic country profile (prepared by the author, based on sections 10.2/10.4/Wirtschaftskammer 2017a)

Market attractiveness

By size and volume the Czech Republic is the largest economy among the three countries. The sheer number of international and Austrian companies operating in

the Czech Republic make it a viable option for a first expansion into the CEE market (cf. Respondent 3 20.04.2017; Respondent 4 06.06.2017). Numerous Austrian companies, notably bank groups, insurance companies and other credit institutions, maintain subsidiaries in Prague. The sales potential for classics of the advertising industry such as ball-point pens and coffee mugs is low, but novel high-quality products are certainly appealing, especially for larger companies such those as in the banking and insurance sectors (cf. Respondent 4 06.06.2017).

Market risks and barriers

In terms of risk, the Czech Republic has been proven to be a low-risk country with political, legal and economic stability and moderate potential for growth in the coming years (cf. Respondent 1 06.04.2017; Respondent 3 20.04.2017; Respondent 4 06.06.2017). As concerns small and medium-sized companies price negotiations may be an issue due to high price sensitivity, but larger Czech corporations have large advertising budgets (cf. Respondent 3 20.04.2017) and Czech businesses value high-quality products such as those produced by Cowstyle (cf. Respondent 4 06.06.2017). The high concentration of international companies in the country also brings problems such as high competitive pressures within almost any industry, which is a disadvantage compared to the other two countries (cf. Respondent 3 20.04.2017; Respondent 4 06.06.2017).

Strategic considerations

Strategically, the Czech Republic offers several advantages over Slovenia and Estonia. The Czech Republic is a hub for Western-Eastern European trade, as reflected by trade relations maintained with both the Western European countries such as Germany and former communist countries of the East (cf. Respondent 4 06.06.2017). With its geographic location and a long history of amiable trade relations, the Czech Republic is in alignment for further expansion into larger countries further to the east, such as Poland, Hungary and Slovakia (cf. Respondent 1 06.04.2017; Respondent 4 06.06.2017; Respondent 7 01.06.2017). The high concentration of Austrian businesses in the country represents a further

advantage since Cowstyle would be able to acquire clients more easily if they are already engaged in a business relationship with its Austrian subsidiaries.

Conclusion

The results of the secondary market research were confirmed by the input received in the expert interviews. The Czech Republic scores highest in market attractiveness criteria and scores higher or at least as well as Estonia and Slovenia regarding market risks and barriers (cf. Respondent 3 20.04.2017; Respondent 4 06.06.2017). The only aspects of concern for an expanding business are the fierce competition within the markets and industries and potentially high price sensitivity when it comes to selling products to small and medium-sized enterprises (cf. Respondent 4 06.06.2017), as well as potentially high competitive pressures (cf. Respondent 3 20.04.2017). The strategic position of the country would also make it the perfect choice for further expansion into the CEE region (cf. Respondent 1 06.04.2017; Respondent 7 01.06.2017) and it has the highest potential for organisational learning.

10.8.2 Second place – Slovenia

Slovenia is ranked as the second most promising market for the Cowstyle B2B segment for the following reasons.

Slovenia - an overview

General information		Market data advertising specialties	
Capital	Ljubljana	GDP per capita (PPP in USD)	31,990
Currency	Euro (EUR)	GDP growth (annual%)	2.32
Official language	Slovene	Advertising expenses per 1000 inhabitants (EUR)	215
Population	2,064,000	High-volume clients (number of institutions)	38
Foreign trade with Austria			
Austrian imports into the Czech Republic (USD in Mio.)	2,690	Advertising specialties distributors (number of companies)	73
Czech imports into Austria (USD in Mio.)	1,725	Advertising specialties supplier density (number of suppliers)	10
		Cost to import (per container in USD)	745

Figure 12: Slovenia country profile (prepared by the author, based on sections 10.2/10.4/Wirtschaftskammer 2017b)

Market attractiveness

Slovenia is a small market by population and size compared to the Czech Republic (cf. Respondent 7 01.06.2017), and it is assumed that due to the smaller population the expenditures for B2C advertising activities are also lower than in the Czech Republic. However, it is therefore also assumed that more money would be spent than in Estonia (cf. Respondent 1 06.04.2017). Slovenia's status as a small country forces it to rely on foreign trade (cf. Respondent 2 19.04.2017, Respondent 6 30.05.2017) and therefore especially on trade from Austria, as indicated by the high expenditures for Austrian goods per capita (EUR 1,300 per capita) and a thriving community of Austrian businesses established in the country (cf. Respondent 2 19.04.2017). As per the secondary analysis the sales potential is second to the Czech Republic, and Slovenian businesses recognize the value of advertising specialties as business gifts (cf. Respondent 2 19.04.2017). Considered to have a higher desire for sustainability and sustainably manufactured goods than others, Slovenian businesses have the highest potential

to see additional value in the Cowstyle product range (cf. Respondent 1 06.04.2017; Respondent 2 19.04.2017).

Market risks and barriers

Competitive pressure is lower than in the Czech Republic, as evidenced by the slightly lower number of advertising specialties suppliers active in the country. Price is naturally a topic of debate for the local businesses, but this is not as intense as in the Czech Republic. The fact that banking and insurance companies have downscaled due to the impacts of the financial crisis to some extent dampens the potential for advertising specialties (cf. Respondent 2 19.04.2017). Outstanding and long-lasting trade relations make Slovenia a low risk for Austrian businesses overall, and political and economic stability is high despite the country's dependence on foreign trade (cf. Respondent 2 19.04.2017, Respondent 6 30.05.2017; Respondent 1 06.04.2017).

Strategic considerations

In strategic terms, Slovenia is not the best choice for expanding further into the larger Eastern markets such as Poland and Hungary due to its geographic position (cf. Respondent 1 06.04.2017; Respondent 2 19.04.2017; Respondent 7 01.06.2017). The more likely path to expansion from Slovenia would be the countries of the Western Balkans and South-eastern European countries (cf. Respondent 1 06.04.2017; Respondent 6 30.05.2017). For a company located in Graz, however, the distance to Slovenia makes it a popular choice for small and medium-sized enterprises by default. The concentration of Austrian businesses is a further argument for expanding into Slovenia, since business relationships may be established more easily (cf. Respondent 2 19.04.2017).

Conclusion

Slovenia is a promising choice for expansion, especially for Austrian enterprises. The expert interviews confirmed the findings of the secondary market research phase, indicating that the country has moderately high potential. The country is politically and economically as stable as the Czech Republic, has beneficial trade conditions since the country relies on foreign trade, has sales potential for the

Cowstyle B2B segment and represents a low-risk alternative for Austrian businesses due to the Austrian presence already in place. However, the country cannot achieve the same sales potential as the Czech Republic due to size of the country, population and economy. The country is also not the optimal choice for further expansion to the east.

10.8.3 Third place – Estonia

Although Estonia ranked second in the secondary market research analysis, the expert interviews revealed some irregularities regarding specific aspects of market attractiveness and market barriers. The reasons for this change in ranking are explained below.

Estonia - an overview

General information		Market data advertising specialties	
Capital	Tallinn	GDP per capita (PPP in USD)	28,987
Currency	Euro (EUR)	GDP growth (annual%)	1.44
Official language	Estonian	Advertising expenses per 1000 inhabitants (EUR)	221
Population	1,312,000	High-volume clients (number of institutions)	36
Foreign trade with Austria			
Austrian imports into the Czech Republic (USD in Mio.)	122	Advertising specialties distributors (number of companies)	32
		Advertising specialties supplier density (number of suppliers)	1
Czech imports into Austria (USD in Mio.)	48	Cost to import (per container in USD)	765

Figure 13: Estonia country profile (prepared by the author, based on sections 10.2/10.4/Wirtschaftskammer 2017c)

Market attractiveness

Estonia is an even smaller economy than Slovenia, and five times smaller than the Czech Republic (cf. Respondent 1 06.04.2017), and with a smaller population, has even less potential for B2C or B2B business. As a trade partner with Austria Estonia ranks only 65th and therefore has no advantage regarding per capita consumption of Austrian goods and services as Slovenia does (cf. Respondent 8 27.04.2017). There is, however, potential for the advertising specialties industry

since the interviews showed that there are more manufacturers and suppliers for these products in Estonia, contrary to the initial analysis which listed only one supplier/manufacturer (cf. Respondent 8 27.04.2017). Estonia is environmentally aware, but this does not play a role in procurement of advertising specialty items (cf. Respondent 2 19.04.2017; Respondent 3 20.04.2017; Respondent 7 01.06.2017). This is also the case for other products and consumer goods. This awareness remains underdeveloped.

Market risks and barriers

Competitive pressure was assumed to be lower, but according to the new input seems to be slightly higher. The country risk is the lowest of the three finalists, and the framework conditions for doing business are the most business-friendly as well, with international companies facing few or no bureaucratic barriers (cf. Respondent 8 27.04.2017; Respondent 9 08.06.2017).

Strategic considerations

As concerns strategic considerations, as a first-choice market Estonia can only be partially recommended. The country is distant from Austria in geographic and cultural terms, and few Austrian contacts exist to be used for expansion (cf. Respondent 7 01.06.2017; Respondent 8 27.04.2017). Although the market is certainly interesting for expansion further east and north, it is less well-suited for expansion towards large CEE region countries because it is better positioned as a gateway to Nordic countries and Russia (cf. Respondent 9 08.06.2017).

Conclusion

Estonia is the odd country within this list. Its extraordinary high scores for market risks and barriers make it one of the most business-friendly environments, with a streamlined bureaucracy making it easy to establish one's business (cf. Respondent 8 27.04.2017; Respondent 9 08.06.2017). Its reliance on foreign trade also makes it an inexpensive import destination. However, the potential for sales of Cowstyle's products remains uncertain, and it is unlikely that entering Estonia

would enable Cowstyle to reach its target of increasing the sales volume of Cowstyle Corporate Designs. The country would be an interesting choice for later expansion plans once the segment has a foothold in the Central and Eastern European markets, or might be a good starting point for exporting into Scandinavia or Russia (cf. Respondent 9 08.06.2017).

Final country ranking	
Country	**Rank**
Czech Republic	1
Slovenia	2
Estonia	3

Table 33: Final country ranking after interviews (prepared by the author)

10.9 Recommendations and further steps

Entry into the Czech Republic should be the priority for Cowstyle. There are many steps which should be taken before doing so, which are presented in this section.

10.9.1 Recommendations for steps towards entry into the Czech Republic

These preparatory activities would also apply for entry into the other two markets:

Perform a company-internal screening to determine the existing competencies and business contacts which may represent synergies for certain target markets, therefore increasing attractiveness and promoting success.

- Existing company competencies and skills may create synergies in the Czech Republic. Cowstyle should determine whether employees have relevant knowledge about the Czech market, business contacts of interest and language skills which would be useful for operating in the Czech Republic.
- Following existing customers abroad is a standard B2B strategy. Cowstyle should use existing customer contacts within Austria, specifically banks and insurance companies which are already established in the Czech Republic, to introduce the products to the subsidiary offices.

Contact the appropriate offices of the Austrian Chamber of Commerce and schedule appointments with the delegates of the Austrian Chamber of Commerce in each country the management team wants to enter. In the case of the Czech Republic the contacts are Mag. Christian Miller and MMag. Gerhard Schlattl. This should be done for the following reasons:

- Acquiring business contacts and even potential customers via recommendations from the local centre for external trade of the Austrian Chamber of Commerce is recommended.
- The local office also provides information for relevant events for on-site field research, such as event dates and information about trade fairs.
- Information for financial subsidies for first-time exporters and young businesses is available at the offices for external trade.

Conduct on-site field research: Based on the expert opinions, the author also recommends that Cowstyle conduct on-site field research in the Czech Republic before entry:

- Attending trade shows aimed at the advertising industry can help determine demand for the Cowstyle products. Participation is recommended in the Reklama Polygraf trade fair, the largest trade fair for advertising in the Czech Republic and Central and Eastern Europe (cf. Reklama Polygraf 2017).
- Price sensitivity is an issue in all three countries. The author recommends researching prices for advertising specialties charged by local competitors.
- It is unclear whether sustainably manufactured advertising specialties are seen as preferable in the Czech Republic. Opinions about this topic should be gathered at the trade fair.
- Doing business in the country has its challenges with regard to business relationships. Information about business etiquette and customs should be gathered by visiting events such as the Austrian Business Club or Austrian Business Circles.

Formulate a market-entry strategy: After these preparatory steps have been completed, Cowstyle should have a thorough understanding of the Czech advertising specialties market and should define a market entry strategy for the Czech Republic.

10.9.2 Recommendations for further use of selection concept

- For future market selection problems it is recommended to use more industry-specific criteria immediately after the pre-screening. Possible criteria include the number of trade fairs for advertising specialty items or the number of industry associations in order to determine the most attractive country groups more accurately early on.

- Other high-volume clients should be considered for future market selection problems. The pharmaceutical and medical industry should be considered as well. These industries tend to procure high volumes of advertising specialties and should be included.

- Germany seems to be a major market for the advertising specialty industry, as the largest organisations for the promotion of these items, such as the PSI network and GWW, are located in Germany, as is Europe's largest trade fair for advertising specialty items, the PSI trade fair. Therefore, it is strongly recommended that Cowstyle look into the German market as well for future expansion plans.

11 Conclusion and Critical Appraisal

The aim of this thesis was to identify the most promising target markets in the CEE region for the Cowstyle B2B segment. The theoretical section covered all relevant aspects to consider when selecting international markets. With all necessary elements explained with regard to theory, a market selection concept was developed. A market research-based strategy and four-stage selection procedure were chosen due to the number of countries under review. The criteria and evaluation instruments used in the four-stage procedure were selected in cooperation with the Cowstyle management team. The criteria were weighted using a constant-sum-scale. After the criteria and instruments were chosen, data collection and analysis for the first three quantitative analysis stages was carried out using elimination and scoring methods. The three countries which remained after the third stage were ranked again in the last stage using the input of country and region experts. Based on the input of nine experts, the most promising market for Cowstyle was identified as the Czech Republic, followed by Slovenia and Estonia.

This concept can be adapted for further use by Cowstyle to conduct market selection in similar geographic regions with many potential countries to choose from. However, use of this concept is not recommended for regions with a smaller number of countries due to the shortcomings of multi-stage procedures, as explained below.

It should be noted that the instruments and procedures employed for evaluating and ranking the countries do have limitations. For example, multi-stage selection procedures use quantitative data which may not accurately reflect reality or may be incomplete. This can lead to potentially attractive markets being eliminated early on before further analysis. Furthermore, weighting selection criteria is necessary in evaluation-based methods such as scoring. The weighting, however, is conducted by individuals and is therefore highly subjective and may cause errors. Using external experts is an improvement, but there is always a certain margin of error remaining.

Finally, it is worth mentioning that, no matter how detailed the selection analysis, further field research by the company is irreplaceable. The time frame for this thesis did not allow for on-site research in the most promising markets, although

this was identified by the experts as the most reliable and useful source of information. Therefore, it is critical for any company aspiring to enter new markets to invest time into their own research in the target country to formulate an effective market entry strategy as a next step.

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Appendix

Appendix: Table of Contents

Appendix: List of Tables

1 Criteria weighting

1.1 Identification stage criteria weighting

Stage 2: Identification - criteria weighting			
Indicators	Dr. Arnold Schuh (S)	Mag. (FH) Oliver Rauch (R)	Dr. Christoph Grabmayr (G)	Total weighting ((S+R+G)/3)
Market attractiveness				
Advertising expenditures per 1000 inhabitants	20.0%	30.0%	25.0%	25.0%
GDP per capita	15.0%	9.5%	13.0%	12.5%
GDP growth	21.0%	9.0%	15.0%	15.0%
Economic sentiment	15.0%	21.5%	16.0%	17.5%
Market risks/barriers				
Operational risk score	21.0%	20.0%	19.0%	20.0%
Cost to import	8.0%	10.0%	12.0%	10.0%
Weighting sum	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table A1: Weighting of identification criteria (prepared by the author)

1.2 In-depth analysis stage criteria weighting

Stage 3: In-depth analysis - criteria weighting			
Indicators	Dr. Arnold Schuh (S)	Mag. (FH) Oliver Rauch (R)	Dr. Christoph Grabmayr (G)	Total weighting ((S+R+G)/3)
Market attractiveness				
Number of high-volume clients	25.0%	20.5%	22.0%	22.5%
Number of active advertising specialties distributors	25.0%	15.0%	20.0%	20.0%
Sustainability performance	10.0%	15.0%	12.5%	12.5%
Market risks/barries				
Advertising specialties supplier density	20.0%	25.0%	22.5%	22.5%
Access to AS distributors	4.0%	15.0%	11.0%	10.0%
Ease of doing business	16.0%	9.5%	12.0%	12.5%
Weighting sum	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table A2: Weighting of in-depth analysis criteria (prepared by the author)

2 Country data and scoring point calculation

2.1 Identification stage calculations

2.1.1 Average advertising expenditures per 1000 inhabitants (EUR)

Country	Population (P)	1000 inhabitants (P/1000)	Total advertising expenditures in EUR (E)	Advertising expenditures per 1000 inhabitants (E/(P/1000))
Czech Republic	10,512,419	10,512	3,236,200.0	307
Estonia	1,315,819	1,315	291,400.0	221
Hungary	9,877,365	9,877	1,558,600.0	157
Latvia	2,001,468	2,001	450,200.0	224
Lithuania	2,943,472	2,943	431,500.0	146
Poland	38,017,856	38,017	6,200,500.0	163
Slovakia	5,415,949	5,415	1,245,100.0	229
Slovenia	2,061,085	2,061	442,200.0	214

Table A3: Calculation of average advertising expenditures per 1000 inhabitants (prepared by the author, based on European Commission eurostat 2016d; European Commission eurostat 2016e)

Country	Indicator value (V)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min}) \times 10$	
Czech Republic	(V^{max}) 307	$(307 - 146) / (307 - 146) \times 10 =$	10.0
Estonia	221	$(221 - 146) / (307 - 146) \times 10 =$	3.6
Hungary	157	$(157 - 146) / (307 - 146) \times 10 =$	0.7
Latvia	224	$(224 - 146) / (307 - 146) \times 10 =$	4.9
Lithuania	(V^{min}) 146	$(146 - 146) / (307 - 146) \times 10 =$	0.0
Poland	163	$(163 - 146) / (307 - 146) \times 10 =$	1.0
Slovakia	229	$(229 - 146) / (307 - 146) \times 10 =$	5.2
Slovenia	214	$(214 - 146) / (307 - 146) \times 10 =$	4.2

Table A4: Calculation of scoring points for advertising expenditures per 1000 inhabitants (prepared by the author, based on European Commission eurostat 2016d; European Commission eurostat 2016e)

2.1.2 GDP per capita (PPP in USD)

Country	Indicator value (V)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min})$ x 10	
Czech Republic	(V^{max}) 33,770	(33770 – 24899) / (33770 – 24899) x 10 =	10.0
Estonia	28,987	(28987 – 24899) / (33770 – 24899) x 10 =	4.6
Hungary	26,457	(26457 – 24899) / (33770 – 24899) x 10 =	1.8
Latvia	(V^{min}) 24,899	(24899 – 24899) / (33770 – 24899) x 10 =	0.0
Lithuania	28,776	(28776 – 24899) / (33770 – 24899) x 10 =	4.4
Poland	26,862	(26862 – 24899) / (33770 – 24899) x 10 =	2.2
Slovakia	29,931	(29931 – 24899) / (33770 – 24899) x 10 =	5.7
Slovenia	31,990	(31990 – 24899) / (33770 – 24899) x 10 =	8.0

Table A5: Calculation of scoring points for GDP per capita (PPP in USD) (prepared by the author, based on World Bank 2016d)

2.1.3 GDP growth (annual%)

Country	Indicator value (V)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min})$ x 10	
Czech Republic	(V^{max}) 4.54	(4.54 – 1.44) / (4.54 – 1.44) x 10 =	10.0
Estonia	(V^{min}) 1.44	(1.44 – 1.44) / (4.54 – 1.44) x 10 =	0.0
Hungary	3.14	(3.14 – 1.44) / (4.54 – 1.44) x 10 =	5.5
Latvia	2.74	(2.74 – 1.44) / (4.54 – 1.44) x 10 =	4.2
Lithuania	1.61	(1.61 – 1.44) / (4.54 – 1.44) x 10 =	0.6
Poland	3.94	(3.94 – 1.44) / (4.54 – 1.44) x 10 =	8.1
Slovakia	3.83	(3.83 – 1.44) / (4.54 – 1.44) x 10 =	7.7
Slovenia	2.32	(2.32 – 1.44) / (4.54 – 1.44) x 10 =	2.8

Table A6: Calculation of scoring points for GDP growth (annual_%) (prepared by the author, based on World Bank 2016e)

2.1.4 Economic sentiment

Country	Indicator value (V)	Converted scoring points $(V − V^{min}) / (V^{max} − V^{min}) \times 10$	
Czech Republic	108.4	(108.4 – 101.1) / (112.4 – 101.1) x 10 =	6.5
Estonia	104.0	(104.0 – 101.1) / (112.4 – 101.1) x 10 =	2.6
Hungary	(V^{max}) 112.4	(112.4 – 101.1) / (112.4 – 101.1) x 10 =	10.0
Latvia	104.2	(104.2 – 101.1) / (112.4 – 101.1) x 10 =	2.7
Lithuania	110.8	(110.8 – 101.1) / (112.4 – 101.1) x 10 =	8.6
Poland	(V^{min}) 101.1	(101.1 – 101.1) / (112.4 – 101.1) x 10 =	0.0
Slovakia	103.9	(103.9 – 101.1) / (112.4 – 101.1) x 10 =	2.5
Slovenia	109.0	(109.0 – 101.1) / (112.4 – 101.1) x 10 =	7.0

Table A7: Calculation of scoring points for economic sentiment (index score) (prepared by the author, based on European Commission eurostat 2016c)

2.1.5 Operational risk score (ranking score)

A lower indicator value (higher ranking score) signifies more favourable conditions for market entry. Because of the nature of calculation of the converted scoring points these calculated points must be inverted to be used correctly.

Country	Indicator value (V)	Converted scoring points (S) $(V − V^{min}) / (V^{max} − V^{min}) \times 10$		Inverted scoring points (10-S)
Czech Republic	28	(28 – 23) / (35 – 23) x 10 =	4.2	10 – 4.2 = 5.8
Estonia	(V^{min}) 23	(23 – 23) / (35 – 23) x 10 =	0.0	10 – 0.0 = 10.0
Hungary	32	(32 – 23) / (35 – 23) x 10 =	7.5	10 – 7.5 = 2.5
Latvia	28	(28 – 23) / (35 – 23) x 10 =	4.2	10 – 4.2 = 5.8
Lithuania	28	(28 – 23) / (35 – 23) x 10 =	4.2	10 – 4.2 = 5.8
Poland	(V^{max}) 35	(35 – 23) / (35 – 23) x 10 =	10.0	10 – 10.0 = 0.0
Slovakia	29	(29 – 23) / (35 – 23) x 10 =	5.0	10 – 5.0 = 5.0
Slovenia	25	(25 – 23) / (35 – 23) x 10 =	1.7	10 – 1.7 = 8.3

Table A8: Calculation of scoring points for operational risk score (ranking score) (prepared by the author, based on Economist Intelligence Unit 2017)

2.1.6 Cost to import (USD per container)

A lower indicator value (low cost to import) signifies more favourable conditions for market entry. Because of the nature of calculation of the converted scoring points these calculated points must be inverted to be used correctly.

Country	Indicator value (V)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min})$ x 10	Inverted scoring points (10-S)
Czech Republic	1,240	(1240 – 600) / (1525 – 600) x 10 = 7.0	10 – 7.0 = 3.0
Estonia	765	(765 – 600) / (1525 – 600) x 10 = 1.8	10 – 1.8 = 8.2
Hungary	885	(885 – 600) / (1525 – 600) x 10 = 3.1	10 – 3.1 = 6.9
Latvia	(V^{min}) 600	(600 – 600) / (1525 – 600) x 10 = 0.0	10 – 0.0 =10.0
Lithuania	750	(750 – 600) / (1525 – 600) x 10 = 1.6	10 – 1.6 = 8.4
Poland	1,050	(1050 – 600) / (1525 – 600) x 10 = 4.9	10 – 4.9 = 5.1
Slovakia	(V^{max}) 1,525	(1525 – 600) / (1525 – 600) x 10 =10.0	10 – 10.0 =0.0
Slovenia	745	(745 – 600) / (1525 – 600) x 10 = 1.6	10 – 1.6 = 8.4

Table A9: Calculation of scoring points for cost to import (USD per container) (prepared by the author, based on World Bank 2016f)

2.2 In-depth analysis stage calculations

2.2.1 Number of high-volume clients (number of institutions)

Country	Indicator value: credit institutions (C)	Indicator value: higher education institutions (U)	Indicator value: total (V) (C + U)
Czech Republic	57	37	57 + 37 = 94
Estonia	27	9	27 + 9 = 36
Latvia	36	9	36 + 9 = 45
Slovakia	27	22	27 + 22 = 49
Slovenia	30	8	30 + 8 = 38

Table A10: Total number of high-volume clients (prepared by the author, based on European Central Bank 2017; University Directory worldwide 2017)

Country	Indicator value: total (V)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min}) \times 10$	
Czech Republic	(V^{max}) 94	(94 – 36) / (94 – 36) x 10 =	10.0
Estonia	(V^{min}) 36	(36 – 36) / (94 – 36) x 10 =	0.0
Latvia	45	(45 – 36) / (94 – 36) x 10 =	1.6
Slovakia	49	(49 – 36) / (94 – 36) x 10 =	2.2
Slovenia	38	(38 – 36) / (94 – 36) x 10 =	0.3

Table A11: Calculation of scoring points for number of high-volume clients (number of institutions) (prepared by the author, based on European Central Bank 2017; University Directory worldwide 2017)

2.2.2 Number of active advertising specialties distributors (number of companies)

Country	Indicator value: total (V)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min}) \times 10$	
Czech Republic	(V^{max}) 107	(107 – 26) / (107 – 26) x 10 =	10.0
Estonia	32	(32 – 26) / (107 – 26) x 10 =	0.7
Latvia	(V^{min}) 26	(26 – 26) / (107 – 26) x 10 =	0.0
Slovakia	47	(47 – 26) / (107 – 26) x 10 =	2.6
Slovenia	73	(73 – 26) / (107 – 26) x 10 =	5.8

Table A12: Calculation of scoring points for number of active advertising specialties distributors (number of companies) (prepared by the author, based on Promotional Product Service Institute 2017)

2.2.3 Sustainability performance (Yale University EPI score)

Country	Indicator value: total (V)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min}) \times 10$	
Czech Republic	(V^{min}) 84.67	(84.67 – 88.98) / (88.98 – 84.67) x 10 =	0.0
Estonia	88.59	(88.59 – 88.98) / (88.98 – 84.67) x 10 =	9.1
Latvia	85.71	(85.71 – 88.98) / (88.98 – 84.67) x 10 =	2.4
Slovakia	85.42	(85.42 – 88.98) / (88.98 – 84.67) x 10 =	1.7
Slovenia	(V^{max}) 88.98	(88.98 – 88.98) / (88.98 – 84.67) x 10 =	10.0

Table A13: Calculation of scoring points for sustainability performance (Yale University EPI score) (prepared by the author, based on Yale University 2017)

2.2.4 Advertising specialties supplier density (number of suppliers)

A lower indicator value (low competition) signifies more favourable conditions for market entry. Because of the nature of calculation of the converted scoring points these calculated points must be inverted to be used correctly.

Country	Indicator value (V)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min})$ x 10		Inverted scoring points (10-S)	
Czech Republic	(V^{max}) 13	$(13 - 1) / (13 - 1)$ x 10 =	10.0	10 − 10.0 =	0.0
Estonia	(V^{min}) 1	$(1 - 1) / (13 - 1)$ x 10 =	0.0	10 − 0.0 =	10.0
Latvia	7	$(7 - 1) / (13 - 1)$ x 10 =	5.0	10 − 5.0 =	5.0
Slovakia	5	$(5 - 1) / (13 - 1)$ x 10 =	3.4	10 − 3.4 =	6.6
Slovenia	10	$(10 - 1) / (13 - 1)$ x 10 =	7.5	10 − 7.5 =	2.5

Table A14: Calculation of scoring points for advertising specialties supplier density (number of suppliers) (prepared by the author, based on Business1.com B.V. 2017)

2.2.5 Access to advertising specialties distributors (number of non-members of the PSI network)

Country	Total number of distributors (D)	Members of PSI network (M)	Non-members of PSI network (N) (D − M)	
Czech Republic	107	45	107 − 45 =	62
Estonia	32	12	32 − 12 =	20
Latvia	26	18	26 − 18 =	13
Slovakia	47	13	47 − 13 =	29
Slovenia	73	19	73 − 19 =	54

Table A15: Calculation of non-members of the PSI network (prepared by the author, based on Promotional Product Service Institute 2017)

Country	Non-members of PSI network (N)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min})$ x 10	
Czech Republic	(V^{max}) 62	$(62 - 13) / (62 - 13)$ x 10 =	10.0
Estonia	20	$(20 - 13) / (62 - 13)$ x 10 =	1.4
Latvia	(V^{min}) 13	$(13 - 13) / (62 - 13)$ x 10 =	0.0
Slovakia	29	$(29 - 13) / (62 - 13)$ x 10 =	3.3
Slovenia	54	$(54 - 13) / (62 - 13)$ x 10 =	8.4

Table A16: Calculation of scoring points for access to advertising specialties distributors (number of non-members of the PSI network) (prepared by the author, based on Promotional Product Service Institute 2017)

2.2.6 Ease of doing business

A lower indicator value (higher rank) signifies more favourable conditions for market entry. Because of the nature of calculation of the converted scoring points these calculated points must be inverted to be used correctly.

Country	Indicator value (V)	Converted scoring points $(V - V^{min}) / (V^{max} - V^{min})$ x 10		Inverted scoring points (10-S)	
Czech Republic	26	$(26 - 11) / (30 - 11)$ x 10 =	7.9	10 – 7.9 =	2.1
Estonia	(V^{min}) 11	$(11 - 11) / (30 - 11)$ x 10 =	0.0	10 – 0.0 =	10.0
Latvia	17	$(17 - 11) / (30 - 11)$ x 10 =	3.2	10 – 3.2 =	6.8
Slovakia	(V^{max}) 30	$(30 - 11) / (30 - 11)$ x 10 =	10.0	10 – 10.0 =	0.0
Slovenia	(V^{max}) 30	$(30 - 11) / (30 - 11)$ x 10 =	10.0	10 – 10.0 =	0.0

Table A17: Calculation of scoring points for Ease of doing business index (ranking score) (prepared by the author, based on World Bank 2016g)

3 Interview guide – CEE experts

CEE market selection for the Cowstyle B2B segment (advertising specialty items)

Objective: These expert interviews serve to validate the results of the secondary market research analysis and gather insights into the business environment of the CEE region, in particular the three most promising target markets for the Cowstyle B2B "Corporate Designs" segment. The goal is to produce a ranking that reflects the attractiveness of the Czech Republic, Estonia and Slovenia for the Cowstyle B2B segment based on the opinions and statements of CEE region experts and individual country experts.

Interview type: One-on-one interview with a combination of open questions and semi-directed questions regarding the ranking of the three remaining country markets in the secondary market research analysis. Interviews are conducted primarily by remote communication methods.

Duration: approximately 30-45 minutes

Name of respondent: _____

Name of interviewer: _____

Date/Time: _____

Method: _____

Pre-interview phase	
- Introduction of participating parties, country expert and interviewer - Short description of master's thesis and its objectives - Short illustration of goals and interview method - Overview of interview guide, topics addressed - Explaining guidelines, confidentiality, asking permission for recording	
Interview phase	
The topic of market selection in this thesis focuses on the CEE region because this is one of the most interesting expansion markets for Western European companies. 1. What is your relationship to the CEE region (the CEE country) both on a professional and personal level?	Personal/professional relation:

2. How do you see the CEE region in this time of **economic recovery after the last financial crisis**? What role do CEE countries play in this phase for the European Union?	Recovery from financial crisis:
3. With regard to the current **economic importance of the region**: In your opinion, is the attractiveness of the CEE region for internationalizing companies the same as it was 10 years ago?	Economic importance of region:
4. In general, how would you describe the current **political and legal situation** in the entire CEE region with regard to stability?	Political and legal situation:
5. How would you describe the current **economic climate** in the CEE region? Is the CEE economy growing, stagnating or declining?	Economic climate:
6. In your opinion: What **business potential** does the CEE region represent for the advertising industry in general? Is advertising a thriving business in the region?	Business potential:
7. How would you describe the **spending behaviour of CEE companies regarding advertising** for their products and corporate image compared to Western European countries?	Spending behaviour:
In the course of this thesis a market selection concept has been developed which evaluated 16 countries of the CEE region in three steps. The criteria used to rate the countries were general macroeconomic and microeconomic indicators. Based on the results of the secondary data analysis the Czech Republic, Estonia and Slovenia have been identified as the most promising markets for the Cowstyle B2B segment. 8. Please rank the Czech Republic, Estonia and Slovenia based on the criterion of **political stability** from best to worst. Please give reasons.	Political stability 1._____ 2._____ 3._____

9. Please rank the Czech Republic, Estonia and Slovenia based on the criterion of general **economic stability and growth** from best to worst. Please give reasons.	Economic stability and growth: 1._____ 2._____ 3._____
10. Please rank the **Czech Republic, Estonia and Slovenia with regard to general market attractiveness** for an Austrian SME (in the advertising specialties business). Which of these target markets has the highest possible market potential for an Austrian company? Please give reasons.	Market attractiveness 1._____ 2._____ 3._____
11. Please rank the **Czech Republic, Estonia and Slovenia with regard to general market risks** for an Austrian company (in the advertising specialties business). Which of these target markets represents the least risky option for an Austrian company? Please give reasons.	Market risks 1._____ 2._____ 3._____
Cowstyle's B2B products' raw materials are derived from sustainable natural resources, which represents a competitive advantage over suppliers which rely on traditional materials for various advertising specialties. As corporate clients of advertising specialty manufacturers have an increasing interest in sustainable production of such advertising items, this aspect has become increasingly important. 12. Please **rank the Czech Republic, Estonia and Slovenia** regarding the perceived level of awareness of sustainability and sustainably manufactured products. Please give reasons.	Sustainability awareness 1._____ 2._____ 3._____
Fostering business relationships and establishing a network of personal contacts with potential business partners is often cited as one of the most challenging tasks when doing business in the CEE region and is a vital part of the B2B business process, and therefore also for the advertising specialties industry. 13. Please rank the **Czech Republic, Estonia and Slovenia regarding the perceived difficulty of establishing business relationships** in this context from easiest to most difficult. Please give reasons.	Ease of establishing business relationships 1._____ 2._____ 3._____

14. Please rank the Czech Republic, Estonia and Slovenia regarding the **sales potential for branded advertising specialty items**. How would you rate the tendency of companies to spend money for such items in each of these countries? Please give reasons.	Advertising specialties sales potential 1._____ 2._____ 3._____
15. If you were an entrepreneur in an Austrian SME, **which country**, regardless of the results of the analysis, would you **decide to export to first and why**? Please give reasons. Please name one of the three available countries: Czech Republic, Estonia and Slovenia.	Country:
Through internationalization, SMEs benefit not only from additional sales revenue but also from the knowledge and experience gained. As C.O.W. Handels & Marketing KG lacks experience in the CEE region it also seeks to close this knowledge gap. 16. Which of the three available countries would be the **most beneficial choice for organizational learning** and serve as a good stepping stone to other CEE markets? Please give reasons. Please name one of the three available countries: Czech Republic, Estonia and Slovenia.	Country:
17. Are there **further important aspects** which must be considered in the market selection process other than the criteria used and evaluated for the three countries in question with regard to the CEE region? Please give reasons.	Aspects:
18. Final question: What **actions do you recommend** that Cowstyle take next after reviewing the final results of both the secondary market research and the interviews?	Actions:

4 Interview guide – Country experts

CEE market selection for the Cowstyle B2B segment (advertising specialty items)

Objective: These expert interviews serve to validate the results of the secondary market research analysis and gather insights into the business environment of the CEE region, in particular the three most promising target markets for the Cowstyle B2B "Corporate Designs" segment. The goal is to produce a ranking that reflects the attractiveness of the Czech Republic, Estonia and Slovenia for the Cowstyle B2B segment based on the opinions and statements of CEE region experts and individual country experts.

Interview type: One-on-one interview with a combination of open questions and semi-directed questions regarding the ranking of the three remaining country markets of the secondary market research analysis. Interviews are conducted primarily by remote communication methods.

Duration: approximately 30-45 minutes

Name of respondent: _____

Name of interviewer: _____

Date/Time: _____

Method: _____

Pre-interview phase	
- Introduction of participating parties, country expert and interviewer - Short description of master's thesis and its objectives - Short illustration of goals and interview method - Overview over interview guide, topics addressed - Explaining guidelines, confidentiality, asking permission for recording	
Interview phase	
The topic of market selection in this thesis focuses on the CEE region due to this region being one of the most interesting expansion markets for Western European companies. 1 What is **your relation** to the Czech Republic/Slovenia/Estonia both on a professional and personal level?	Personal/professional relation

2	How do you see the Czech Republic/Slovenia/Estonia in this time of **economic recovery after the last financial crisis**? What role does the Czech Republic/Slovenia/Estonia play in this phase for the European Union?	Recovery from financial crisis:
3	With regard to the current **economic importance of the region**: In your opinion, is the attractiveness of Czech Republic/Slovenia/Estonia for internationalizing companies the same as it was 10 years ago?	Economic importance of country:
4	In general, how would you describe the current **political and legal situation** in the Czech Republic/Slovenia/Estonia with regard to stability?	Political and legal situation:
5	How would you describe the current **economic climate** in the Czech Republic/Slovenia/Estonia? Is the country's economy growing, stagnating or declining?	Economic climate:
6	In your opinion: What **business potential** does the Czech Republic/Slovenia/Estonia represent for the advertising industry in general? Is advertising a thriving business in the country?	Business potential:
7	In your opinion: How would you describe the **spending behaviour of companies in the Czech Republic/Slovenia/Estonia regarding advertising** for their products and corporate image compared to Western European countries?	Spending behaviour:
In the course of this thesis a market selection concept has been developed which evaluated 16 countries of the CEE region in three steps. The criteria used to rate the countries were general macroeconomic and microeconomic indicators. Based on the results of the secondary data analysis the Czech Republic, Estonia and Slovenia have been identified as the most promising markets for the Cowstyle B2B segment. 8 Please evaluate the Czech Republic/Slovenia/Estonia compared to the other two countries on the criterion of **political stability** on a scale from 1-10. Please give reasons. 1=high instability; 10=high stability	Political Stability Points:	

9 Please evaluate the Czech Republic/Slovenia/Estonia compared to the other two countries on the criterion of **economic stability and growth** on a scale from 1-10. Please give reasons. 1=very slow growth, unstable; 10=very fast growth, stable	Economic stability and growth: Points:
10 Please evaluate the Czech Republic/Slovenia/Estonia compared to the other two countries on the criterion of **general market attractiveness** for an Austrian SME (in the advertising specialties business) on a scale from 1-10. Please give reasons. 1=very low attractiveness, 10=very high attractiveness	Market attractiveness Points:
11 Please evaluate the Czech Republic/Slovenia/Estonia compared to the other two countries on the criterion of **general market risk** for an Austrian SME (in the advertising specialties business) on a scale from 1-10. Please give reasons. 1=very high market risk; 10=very low market risk	Market risk Points:
Cowstyle's B2B products' raw materials are derived from sustainable natural resources, which represents a competitive advantage over suppliers which rely on traditional materials for various advertising specialties. As corporate clients of advertising specialty manufacturers have an increasing interest in sustainable production of such advertising items, this aspect has become increasingly important. 12 Please evaluate the Czech Republic/Slovenia/Estonia compared to the other two countries **regarding the perceived level of awareness of sustainability and sustainably manufactured products** on a scale from 1-10. Please give reasons. 1=very low sustainability awareness; 10=very high sustainability awareness	Sustainability awareness Points:
Fostering business relationships and establishing a network of personal contacts with potential business partners is often cited as one of the most challenging tasks when doing business in the CEE region and is a vital part of the B2B business process and therefore also for the advertising specialties industry. 13 Please evaluate the Czech Republic/Slovenia/Estonia **regarding the perceived difficulty of establishing business relationships** on a scale from 1-10. Please give reasons. 1=very difficult; 10=very easy	Ease of establishing business relationships Points:

14 Please evaluate the Czech Republic/Slovenia/Estonia compared to the other two countries **regarding the sales potential for branded advertising specialty items** on a scale from 1-10. Please give reasons. 1=very low potential; 10=very high potential	Advertising specialties sales potential Points:
15 If you were an entrepreneur in an Austrian SME, **which country**, regardless of the results of the analysis, would you **decide to export to first and why**? Please name one of the three available countries: Czech Republic, Estonia, and Slovenia.	Country:
Through internationalization, SMEs benefit not only from additional sales revenue but also from the knowledge and experience gained. As C.O.W. Handels & Marketing KG lacks experience in the CEE region it also seeks to close this knowledge gap. 16 Which of the three available countries would be the **most beneficial choice for organizational learning** and serve as a good stepping stone to other CEE markets? Please give reasons. Please name one of the three available countries: Czech Republic, Estonia and Slovenia.	Country:
17 Are there **further important aspects** which must be considered in the market selection process other than the criteria used and evaluated for the three countries in question with regard to the CEE region?	Aspects:
18 Final question: What **actions do you recommend** that Cowstyle take next after reviewing the final results of both the secondary market research and the interviews?	Actions:

5 Milestone plan

No.	Date/Deadline	Milestone Description
Preparatory phase		
1	03.10.2016	1st coaching meeting
2	13.10.2016	Company kick-off meeting
3	28.10.2016	Master's seminar 1
Theory section phase		
4	06.01.2017	Theoretical market selection concept finished
5	06.01.2017	Research design completed
6	CW4 2017	Master's Seminar 2
Practical section phase		
7	24.02.2017	Practical market selection concept finished
8	04.04.2017	Final results of market selection analysis finished
9	CW17 2017	Master's Seminar 3
Closing phase		
10	12.05.2017	Submission of unbound master's thesis
11	CW 24/2017	Evaluation of master's thesis
12	30.06.2017	Submission of bound master's thesis

6 Project plan

ID	WBS	Task Name	Start	Finish	Duration
1	1	Master thesis application approved	Tue 05.07.16	Tue 05.07.16	1 dy
2	2	Preparatory phase	Wed 06.07.16	Fri 28.10.16	115 dys
3	2.1	Prepare documents for 1st coaching meeting	Wed 06.07.16	Fri 30.09.16	87 dys
4	2.1.1	Initial base literature search	Wed 06.07.16	Tue 30.08.16	56 dys
5	2.1.2	Read past master theses	Wed 06.07.16	Tue 30.08.16	56 dys
6	2.1.3	Research company	Wed 06.07.16	Tue 30.08.16	56 dys
7	2.1.4	Construct base structure of thesis	Wed 31.08.16	Wed 07.09.16	8 dys
8	2.1.5	Develop rough table of contents	Thu 08.09.16	Sat 10.09.16	3 dys
9	2.1.6	Write company introduction	Sun 11.09.16	Wed 14.09.16	4 dys
10	2.1.7	Write current situation	Thu 15.09.16	Mon 19.09.16	5 dys
11	2.1.8	Revise company and thesis goals	Sun 18.09.16	Wed 21.09.16	4 dys
12	2.1.9	Write temporary bibliography	Thu 22.09.16	Thu 29.09.16	8 dys
13	2.2	Send documents to coach	Fri 30.09.16	Fri 30.09.16	1 dy
14	2.3	1st coaching meeting	Mon 03.10.16	Mon 03.10.16	1 dy
15	2.4	Prepare documents for kick-off meeting	Mon 03.10.16	Wed 12.10.16	10 dys
16	2.4.1	Revise documents of 1st coaching meeting	Mon 03.10.16	Wed 12.10.16	10 dys
17	2.4.2	Prepare milestone plan	Mon 03.10.16	Wed 12.10.16	10 dys
18	2.4.3	Prepare temporary project plan	Mon 03.10.16	Wed 12.10.16	10 dys
19	2.4.4	Prepare master thesis agreement	Mon 03.10.16	Wed 12.10.16	10 dys
20	2.5	Kick-off meeting	Thu 13.10.16	Thu 13.10.16	1 dy
21	2.6	Prepare MS1 documents	Thu 13.10.16	Fri 21.10.16	9 dys
22	2.6.1	Revise documents of Kick-off meeting	Thu 13.10.16	Thu 20.10.16	8 dys
23	2.6.2	Finish detailed project plan	Thu 13.10.16	Thu 20.10.16	8 dys
24	2.6.3	Prepare power point presentation	Mon 17.10.16	Thu 20.10.16	4 dys
25	2.7	Submit MS1 documents to coach	Fri 21.10.16	Fri 21.10.16	1 dy
26	2.8	Upload MS1 documents on Moodle	Fri 21.10.16	Fri 21.10.16	1 dy
27	2.9	Submit hardcopies to CAMPUS02	Fri 21.10.16	Fri 21.10.16	1 dy
28	2.10	Master Seminar 1	Fri 28.10.16	Fri 28.10.16	1 dy
29	3	Integrate MS 1 feedback	Fri 28.10.16	Sun 30.10.16	3 dys
30	4	Theoretical section phase	Mon 31.10.16	Fri 27.01.17	85 dys

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Summary task   Task   Milestone

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ID	WBS	Task Name	Start	Finish	Duration
31	4.1	Further literature search	Mon 31.10.16	Fri 06.01.17	64 dys
32	4.2	**Chapter 2: Specialty advertising - B2B markets**	**Mon 31.10.16**	**Sun 06.11.16**	**7 dys**
33	4.2.1	Literature research: specialty advertising - B2B	Mon 31.10.16	Thu 03.11.16	4 dys
34	4.2.2	Write chapter content	Fri 04.11.16	Sun 06.11.16	3 dys
35	4.3	**Chapter 3: International market selection**	**Mon 07.11.16**	**Sat 19.11.16**	**13 dys**
36	4.3.1	Literature research: International market selection	Mon 07.11.16	Fri 11.11.16	5 dys
37	4.3.2	Write chapter content	Sat 12.11.16	Sat 19.11.16	8 dys
38	4.4	**Chapter 4: Market selection criteria**	**Sun 20.11.16**	**Thu 08.12.16**	**19 dys**
39	4.4.1	Literature research: market selection criteria	Mon 21.11.16	Sun 27.11.16	7 dys
40	4.4.2	Write chapter content	Mon 28.11.16	Thu 08.12.16	11 dys
41	4.5	**Chapter 5: Market selection procedures**	**Fri 09.12.16**	**Sun 25.12.16**	**16 dys**
42	4.5.1	Literature research: Market selection procedures	Fri 09.12.16	Thu 15.12.16	7 dys
43	4.5.2	Select selection models for illustration	Fri 16.12.16	Sat 17.12.16	2 dys
44	4.5.3	Write chapter content	Sun 18.12.16	Sun 25.12.16	7 dys
45	4.6	**Chapter 6: Theoretical market selection concept**	**Mon 26.12.16**	**Wed 04.01.17**	**9 dys**
46	4.6.1	Review literature	Mon 26.12.16	Wed 28.12.16	3 dys
47	4.6.2	Describe theoretic concept	Thu 29.12.16	Fri 30.12.16	2 dys
48	4.6.3	Write chapter content: pre-conditions, strategy, procedure, criteria, methods, stages, process	Sun 01.01.17	Wed 04.01.17	4 dys
49	4.7	Develop Research Design	Mon 26.12.16	Fri 06.01.17	11 dys
50	4.7.1	Secondary market research design	Mon 26.12.16	Fri 06.01.17	11 dys
51	4.7.2	Primary market research design	Sun 01.01.17	Fri 06.01.17	6 dys
52	4.8	**Finished theoretical market selection concept**	**Fri 06.01.17**	**Fri 06.01.17**	**1 dy**
53	4.9	**Final Research Design**	**Fri 06.01.17**	**Fri 06.01.17**	**1 dy**
54	4.10	Proofread theoretical part	Sat 07.01.17	Sun 08.01.17	2 dys
55	4.11	Revise earlier sections	Sat 07.01.17	Sun 08.01.17	2 dys
56	4.12	Prepare documents for MS2	Mon 09.01.17	Fri 20.01.17	12 dys
57	4.12.1	Create list of tables	Mon 09.01.17	Fri 20.01.17	12 dys
58	4.12.2	Create list of figures	Mon 09.01.17	Fri 20.01.17	12 dys
59	4.12.3	Preparation of power point presentation	Sun 15.01.17	Fri 20.01.17	6 dys
60	4.13	Submission of documents to coach	Fri 20.01.17	Fri 20.01.17	1 dy

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Summary task　　Task　　Milestone

ID	WBS	Task Name	Start	Finish	Duration
61	4.14	Upload of documents to moodle	Fri 20.01.17	Fri 20.01.17	0 dys
62	4.15	Submission of hardcopies to CAMPUS02	Fri 20.01.17	Fri 20.01.17	0 dys
63	4.16	Prepare for presentation	Sat 21.01.17	Wed 25.01.17	5 dys
64	4.17	Master seminar 2	Thu 26.01.17	Thu 26.01.17	1 dy
65	5	Practical section phase	Sat 28.01.17	Sat 29.04.17	91 dys
66	5.1	Master seminar 2 debriefing with coach	Sat 28.01.17	Fri 03.02.17	7 dys
67	5.2	Write to interview partners	Sat 28.01.17	Fri 17.02.17	21 dys
68	5.3	Development of practical country selection concept	Sat 28.01.17	Fri 17.02.17	21 dys
69	5.3.1	Pre-selecting criteria for selection stages 1,2,3	Sat 28.01.17	Fri 03.02.17	7 dys
70	5.3.2	Set final selection of criteria for stages 1,2,3	Sat 04.02.17	Mon 06.02.17	3 dys
71	5.3.3	Conduct expert weighting of criteria via e-mail, send pre-defined criteria table, calculate averages	Tue 07.02.17	Tue 14.02.17	8 dys
72	5.3.4	Finish weighting of criteria	Wed 15.02.17	Wed 15.02.17	1 dy
73	5.3.5	Write development section, include criteria chosen, scaling method, develop analysis tables	Sat 28.01.17	Wed 15.02.17	19 dys
74	5.3.6	Start data collection for Pre-screening	Wed 15.02.17	Fri 17.02.17	3 dys
75	5.4	Set interview dates for primary research	Fri 17.02.17	Wed 01.03.17	13 dys
76	5.5	Final version: Practical CEE market selection conce	Sat 18.02.17	Sat 18.02.17	1 dy
77	5.6	Market selection analysis stages 1-3	Sat 18.02.17	Wed 08.03.17	19 dys
78	5.6.1	Conduct stage 1 analysis: Pre-screening data collection, scaling, score calculation	Sat 18.02.17	Sun 19.02.17	2 dys
79	5.6.2	Write stage results, make tables, write individual scores and indicator values	Mon 20.02.17	Tue 21.02.17	2 dys
80	5.6.3	Collect data Identification stage	Wed 22.02.17	Fri 24.02.17	3 dys
81	5.6.4	Conduct stage 2 analysis: Identification, data collection, scaling, score calculation	Sat 25.02.17	Sun 26.02.17	2 dys
82	5.6.5	Write stage results: make tables, write individual scores and indicator values	Mon 27.02.17	Tue 28.02.17	2 dys
83	5.6.6	Collect data In-depth analysis	Wed 01.03.17	Fri 03.03.17	3 dys
84	5.6.7	Conduct stage 3 analysis: In-depth analysis, data collection, scaling, score calculation	Sat 04.03.17	Mon 06.03.17	3 dys
85	5.6.8	Write stage results, make tables, write individual scores and indicator values	Tue 07.03.17	Wed 08.03.17	2 dys
86	5.7	Conduct primary market research (stage 4)	Thu 09.03.17	Sat 01.04.17	24 dys
87	5.7.1	Prepare interview guide based on secondary analysis, determine questions, structure conversation, translation	Thu 09.03.17	Tue 14.03.17	6 dys
88	5.7.2	Send interview guide to interview partners	Wed 15.03.17	Wed 15.03.17	1 dy

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Summary task   Task   Milestone

ID	WBS	Task Name	Start	Finish	Duration
89	5.7.3	Conduct interviews, prepare recording equipment, prepare software (Skype) and recording applications	Thu 16.03.17	Sat 25.03.17	10 dys
90	5.7.4	Transcribe interviews	Mon 20.03.17	Wed 29.03.17	10 dys
91	5.7.5	Interpret results: summarise findings of countries, create final ranking of countries, write thesis section	Thu 30.03.17	Sat 01.04.17	3 dys
92	5.8	Formulation of recommendations and conclusion	Sun 02.04.17	Tue 04.04.17	3 dys
93	5.9	Final results of market selection analysis CEE	Tue 04.04.17	Tue 04.04.17	1 dy
94	5.10	Proofread practical part	Mon 03.04.17	Wed 05.04.17	3 dys
95	5.11	Revise previous sections	Mon 03.04.17	Thu 06.04.17	4 dys
96	5.12	Prepare documents for MS3	Sat 08.04.17	Wed 19.04.17	11 dys
97	5.12.1	Update tables	Sat 08.04.17	Tue 18.04.17	10 dys
98	5.12.2	Update bibliography	Sat 08.04.17	Tue 18.04.17	10 dys
99	5.12.3	Preparation of power point presentation	Sat 08.04.17	Wed 19.04.17	11 dys
100	5.13	Submission of documents to coach	Wed 19.04.17	Wed 19.04.17	1 dy
101	5.14	Upload of documents to moodle	Wed 19.04.17	Wed 19.04.17	1 dy
102	5.15	Submission of hardcopies to CAMPUS02	Wed 19.04.17	Wed 19.04.17	1 dy
103	5.16	Prepare for Master seminar 3	Wed 19.04.17	Mon 24.04.17	6 dys
104	5.17	Master seminar 3	Tue 25.04.17	Sat 29.04.17	5 dys
105	6	Closing phase	Sun 30.04.17	Fri 30.06.17	62 dys
106	6.1	Master seminar 3 debriefing with coach	Sat 29.04.17	Tue 02.05.17	4 dys
107	6.2	Integration of feedback	Tue 02.05.17	Thu 04.05.17	3 dys
108	6.3	Write abstract	Tue 02.05.17	Thu 04.05.17	3 dys
109	6.4	Formatting of thesis	Tue 02.05.17	Thu 04.05.17	3 dys
110	6.5	Proof-reading of thesis	Tue 02.05.17	Mon 08.05.17	7 dys
111	6.6	Printing master thesis	Tue 09.05.17	Wed 10.05.17	2 dys
112	6.7	Submission of unbound master thesis	Thu 11.05.17	Thu 11.05.17	1 dy
113	6.8	Evaluation of master thesis	Fri 12.05.17	Sun 18.06.17	38 dys
114	6.9	Revise master thesis	Mon 19.06.17	Fri 23.06.17	5 dys
115	6.10	Proofread-read master thesis	Sat 24.06.17	Sun 25.06.17	2 dys
116	6.11	Print & bind master thesis	Mon 26.06.17	Thu 29.06.17	4 dys
117	6.12	Final submission of bound master thesis	Fri 30.06.17	Fri 30.06.17	1 dy

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Summary task   Task   Milestone