

Entering the **Red** Dragon

- Strategic considerations for an entrepreneurial firm when entering a foreign market with a premium consumer product



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Chapter 1

Introduction

This chapter begins with a description of today's business environment, weaving in the choice of the subject of the thesis. This is followed by a discussion of the problem, which drifts into the purpose of this thesis. The chapter ends with an outline of how the thesis is disposed.

1.1 Today's environment

Competition among business firms has intensified throughout the years. This occurrence is vivid on a national level, but globalization has reduced the geographical distance among companies. Because of this, business competition and the economic market has extensively developed into a global scale. Entrepreneur companies see internationalization as an important factor for profitability and being able to meet the increasing competition. An integrated world increases companies' possibilities to establish their business abroad and through this reach further brand awareness and growth.

An established firm's goal is often to increase volume sales and gain market share. This in turn drives and motivates the company to prepare a robust strategic blueprint to enter a foreign market. The company have the advantage of existing transactions, networks and relationships that could be valuable when establishing abroad. Its network of distribution channels, retailers and existing business administrations may have alliances within the targeted foreign country. Another opportunity for the firm is the "buy-your-way-in" strategy, which is frequently used when established firms choose to compete on a foreign market. This is a possibility for the established company because of it's strong financial endowments, and what it has learned from previous business experiences. Through these two key features, the company can have a clearer forecast concerning the profitability of the market in focus.

For an entrepreneurial company the “buy-your-way-in” strategy is usually not possible when desiring to enter a new country. The entrepreneur’s belief in the product and the response it will get is decisive when forming a foreign market entry strategy. For entrepreneurial companies, which probably lack both key features characterizing the more established firms, other qualifications need to be emphasized when entering a foreign market. For example, Johannisson in Landström (2000) claim that the unique resource found in an entrepreneur company is its personal network and informal relationships. This can form a competitive advantage in foreign market entry in relation to established firms. Kriby (2003) states that additional important characteristics for an entrepreneur are the willingness of risk taking and ability to take action. He further concludes that these key features, for an entrepreneur company, are critical factors when competing with already established firms.

Today many companies look east, especially at China owing to the country’s huge potential as the new consuming leader of the world (Fang, 2005). With a population consisting of one fifth of the world’s population, and a 13 % of the world’s total purchasing power, the Chinese market provides an enormous opportunity. China has also, thanks to it’s geographic position and size a large role in the general development of the whole of Asia’s economy. Further it stands for more than 55 % of Asia’s trade and handle’s more than 50 % of Asia’s exports. (Fang, 2005) Among others, these factors make China a very attractive market for both established and entrepreneurial firms.

A company looking east at China is the entrepreneur company Private Brands AB. With their premium consumer product, the company has the urge to conquer a share of this growing market. Though, their focus is now on creating a proper and successful foreign market entry strategy through their entrepreneurial skills. This to achieve further profitability and brand awareness.

1.2 Problem discussion

For a company wanting to establish abroad there are a lot of aspects to take into consideration. Before planning a strategy, the targeted market needs to be thoroughly examined. In this process of analysis an estimation of the market's potential profitability is vital. According to Landström (2000) the foreign market entry strategy differs a lot between established companies and entrepreneurial firms. Although there are strategy differences for establishing abroad, both types of firms need to identify their key factors for success. The reason for locating key success factors is to further adapt a strategy corresponding to these features. In other words, according to Grant (2005), the goal should be to create a strategic fit between the targeted foreign market powers and the company's strategy.

For a company to find key success factors in a foreign industry there is a need for optimal market knowledge. The line of business structure, including the power of competitors, customers and suppliers, is the main focus for identifying the critical factors for a successful establishment. During this process, the company's qualifications must be kept in mind and complementing it with an industry analysis to generate a unique strategy for a profitable market match. According to Barney's resource-based view theory (1996) it is the company's ability to create something beneficial and advantageous out of their resources resulting in competitive advantage.

With the discussions above, we will present the reader how the qualifications and strategies between an established and entrepreneur firm differ. Previous research¹ conducted in this area has neglected the dissimilarity in starting a business in a foreign market, between these two different company types, namely the established and the entrepreneur firm. As authors of this thesis we believe that there is a gap of knowledge in this sweeping statement and therefore we choose to put emphasize on the key success factors and the strategic fit for entrepreneurial companies wishing to enter a foreign market.

¹ Such as Debanjon et al (2002), Ekeledo et al (2003), and Tamar (2001).

This is the reality for our case company the newly started Private Brands, whose strategy is to launch premium vodka in China. The question is: what are Private Brands' key factors for success and how does the company achieve strategic fit with the structure of the Chinese market? Are there ways of entering markets foreign markets for an entrepreneurial firm, and through the firm's resources and capabilities achieve leverage? Finally, how can other entrepreneurial companies benefit from our conducted research?

1.3 Purpose

The purpose of this thesis is to identify and analyse the key success factors for an entrepreneurial firm to achieve leverage when establishing on a foreign market with a premium consumer product.

1.4 Outline of the thesis

Our following chapters will consist of the research design and strategy, the theories and models that are applicable for our study, a theoretical frame of reference which will be our "lenses" through which we will look at our research. Followed by this we will present our empirical data and remarks regarding our investigation. Below is a brief summary on what each chapter is about.

Chapter 2 will guide our reader of how we have initiated our research through the various methods, approaches and tactics we have used to be able to investigate our problem.

Chapter 3 is a guidance of our theoretical frame of reference where we introduce our readers to the theories to be applied in our analysis.

Chapter 4 consists of a brief company presentation of Private Brands AB and their main product, Karlsson's and the people behind the company.

Chapter 5 takes our reader to an empirical guidance of China and how the situation looks like and the alcohol consumer patterns. Furthermore, the chapter describes the interviews held in Shanghai with key people of the industry.

Chapter 6 is an Analysis of our problem with the help of our theoretical frame of reference and the data we achieved in our empirical research.

Chapter 7 is where we will illustrate our conclusions of our thesis and give the reader an in-depth view of our thoughts of how entrepreneurial company is to be able to enter a foreign market.

Chapter 2

Methodology

This chapter gives our reader knowledge of what method we have used to approach our thesis, what restrictions we have had, and how empirical and theoretical data was collected.

2.1 Research approach

When searching for valid and reliable research instruments for identifying and analysing key success factors on a foreign market entry, there is a great need to adapt a more dynamic approach in our research. Therefore a *qualitative approach* (Bryman et al., 2003) was taken with focus on interviews with people at our case company and experts on our theme. In our empirical study semi-structured interviews were conducted to complement the empirical data from literature. A quantitative approach has not been used because China is renown for not answering questions from strangers due to the importance of *guanxi*, relationships in Chinese culture. (Fang, 2005).

To get a deeper and broader view of the business environment an *explorative approach* was taken. The main purpose for a study of this kind is to enter the actual arena with clear mindset and then analyse the findings in an objective way. This can best be described as an *inductive* way of looking at the relationship between theory and research and is the frame of information reference used in this thesis. Critic of the inductive method arises when prioritizing research before theory, and is generally the difficulty of being objective when studying empirical information. The researchers tend only to find empirical information suitable for their predetermined answer to their purpose. Therefore, relevant important data can be lost, to be able to carry out a

correct analysis. Though, when using this approach in a study the researchers gain an advantage of avoiding already established theories. This gives the opportunity for the thesis to be free from previous writers already coloured conclusions, and discovers a reality that varies in shade (Bryman et al., 2003).

Further to achieve a more detailed and intensive analysis of the thesis a case study was chosen. A case study research is focused on the complexity and particular nature of the case in question and therefore creates a deeper understanding and knowledge of a certain reality form (Stake in Bryman et al., 1995). Through the case study we will be able to examine a premium consumer products planned entrance into a foreign market and through it create guidance for entrepreneurial companies in this situation.

2.2 Choice of Conduct

The purpose of this thesis is to research how an entrepreneurial firm can identify key success factors on a foreign market, and achieve leverage through it. To research this we got in contact with Private Brands AB, whom introduced us to their premium consumer product that they wished to launch outside of Sweden. To help us answer our purpose, a case study was used. This enlightens the resources needed to enter a foreign market for an entrepreneurial firm.

Semi-structured interviews with key people in China are the primary data in this thesis, and are used as our main empirical foundation. Secondary data has been used to complement our research; information about alcohol consumption pattern, demographical changes, and brand management in China have been frequently used in preparing this thesis. However, we are aware of that the gathered secondary data due to the fact that there might be some subjective views written in these previous researches.

2.2.1 Choice of Case Company

In order to create common knowledge there is always the issue of generalization. Bryman et al. (2003) argues that the reliability, replicability and validity of a case study research, depend on the researcher's subjective view on which information has been gathered. A case study's ability to represent a general view for other cases may not always be the situation. Though, when choosing Private Brands, as the entrepreneur, Karlsson's, as the premium consumer product, and China, as the foreign market, we wished to find a company, a product and a country that represent a broad range of aspects. These subjects can therefore have characteristics similar to other entrepreneurs.

2.3 Theoretical approach

Using an inductive method brought us at a later point to theories that helped us in our research. We realised that *Entrepreneurship* and *Strategic Fit* are an essence for our writing and Porters *Key Success Factors* a guideline for us to answer our purpose. To support the identifying process of the key success factors, Kapferer's *Brand Strategy* is a useful theoretical approach. This theory answers the question of how the customers accept brands and how to build one on an unknown market. Further the key success identifying process is complemented by the Axelsson et al. network view of *Foreign Market Entry*. This is used as a guidance to see how an entrepreneurial firm is to enter and establish on a new market with in coherence with its competitors.

How to achieve a sustainable competitive advantage through develop and deploy a firms resources, has been researched in order to pursue the study of an entrepreneurial company's capabilities. Therefore Jay B. Barney's *Resource-based view* and VRIO framework was needed to ascertain entrepreneurs' advance when entering a foreign market. Conclusively a discussion regarding the strategic fit between the identified key success factors and the entrepreneurs' resources and capabilities is completed. Together these theories are the basis of our theoretical frame of reference.

2.4 The empirical significance

The information gathered about Private Brands was given to us from their chairman of the board, and therefore the reliability and validity can be questioned. Private Brands could bias the information presented to us, and since the company is newly started there is not any published information available. This is critique to our conducted research, though information of the people behind the brand has been gathered to achieve validity and reliability to our thesis.

Empirical data gathered on the Chinese market are both of primary and secondary sources. The information from previous authors gathered has been influenced by our thesis and not all information regarding the Chinese market has been brought up. These are issues all authors in our situation have to handle, and through using several different sources we have sought to differentiate our empirical data and enhance the validity of our research.

The empirical data from Shanghai come from semi-structured interviews (See Appendix 2). This way of conducting interviews facilitate our research in capturing eventual sidetracks, and pictures reality needed when having an explorative approach. Shanghai is a main city, which involves many experts living there, was chosen because of the mixture between east and west. Shanghai can be used to generalize different cities in China and other similar Asian cities such as Singapore and Hong Kong. This type of generalization is dangerous but necessary with the time limits concerning this study.

2.5 Analysis strategy

Striving for conclusions, the analysis is a product of applying our empirical data with our theoretical frame of reference. This requires a distinctive awareness of these features combined with high analytical skills. To pursue a qualitative examination we have had deeper discussions in-group before analysing, and as a result we claim to achieve greater validity for further conclusions.

Chapter 3

Theoretical framework

This chapter primarily aims to present academic theories within the area of this bachelor thesis. The chapter gives the reader a fundamental background of the theories that will help us understand how to solve our purpose of this thesis, and will later be used as guidance for our analysis.

3.1 Entrepreneurship

According to Kirby (2003), ever since the middle of the eighteenth century scholars have reflected upon the role of the entrepreneur and its function in the economy and society. Even though this has been debated, the entrepreneur clearly plays an important role in the development of the economic society.

According to Schumpeter's doctor's thesis: *The Theory of Economic Development* (1934), there is an economic system and there are occasionally radical changes in this structure. This can occur through the development of: (a) new products (b) new production methods (c) new markets (d) new input goods, or (e) new organisation forms in industries and markets. This is where the entrepreneur has its role; to disturb the system and to create wealth for the society. The entrepreneur is a special type of business owner, with specific skills and a special approach, which breaks the previous patterns through introducing innovations, and by differentiating himself against competitors.

Although not all business owner managers can be looked upon as entrepreneurs, and neither are all newborn small businesses entrepreneurial. As stated by Gibb in Kirby (2003) the definition of the term “entrepreneurship” is:

“An entrepreneur is an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterised principally by innovative behaviour and will employ strategic management practices in the business.”

“An entrepreneurial venture is one that engages in at least one of Schumpeter’s four categories of behaviour: that is, the principal goals of entrepreneurial venture are profitability and growth and the business is characterised by innovative strategic practices.” (Kirby, 2003. Page. 10)

In contrast he states that:

“A small business owner is an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be a primary source of income and will consume the majority of one’s time and resources. The owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires.”

“A small business venture is any business that is independently owned and operated, not dominant in its field, and does not engage in any new marketing or innovative process.” (Kirby, 2003. Page 10)

3.1.1 The characteristics of an entrepreneurial firm

There are some key features that characterises an entrepreneur, which influence the acting of a firm and its business strategy. In accordance with Vossen (1998) in Kirby, entrepreneurial firms are believed to possess advantages in the establishment and innovation process. This because they hold unique advantages such as the lack of bureaucracy, quick decision making, short decision chains and a high level of risk taking. Further a stimulated and committed management, motivated labour, rapid and effective communications together with flexibility and adaptability, gives the entrepreneurial firm the attacker’s advantage. (2003)

According to Kirby it has long been known that innovation strategies are the most certain way to attain sustainable competitive advantage. Though, introducing a new product is clearly a risky activity as it is complicated to calculate the reactions of the competitors and customers. In order to reduce the risk, the entrepreneurial business needs to be near the market, proactively in

search of fresh opportunities and through this respond to the consumers' reaction. (2003)

3.2 Strategic Fit

Strategic fit involves linking the firm and its external environment through the firm's strategy. Grant means that for a strategy to be successful it must consist of the characteristics of the firm's external environment, and with the characteristics of the firm's internal environment with its goals and values, resources and capabilities, and structure and system. Through Porter's theories a firm can achieve strategic fit, something essential for entrepreneurs wanting to establish themselves successfully on a foreign market.

According to Porter's Five Forces framework, the firm can determine if an industry has a structure that has potential for profit. Identifying sources of competitive advantage within the firm's industry structure it can determine the ability to survive and prosper. These are the industry's *key success factors*, see Figure 1 for an illustration. When identifying an industry's key success factors, a firm must seek supply what the customer wants to buy, and further what it must have what it takes to survive the competition from rivals. When answering the question of what the customers want, the firm must consider the customers as a source of bargaining power and therefore as a threat to profitability, but also as the essence of their profit. The firm must therefore identify who their customers are, what their needs are, and how they choose between offers. (Grant, 2005) When identifying how the firm survives competition the firm must examine the basis of competition in the industry, how intense the competition is and what are its key dimensions. How the firm can obtain a superior competitive position is also essential when seeing how it can survive competition. (Grant, 2005). Now the firm can see how the key success factors look like in the industry, and through them the firm to establish a strategy. Understanding these aspects of the industry environment is essential for an effective strategy, and this does not imply that all firms will adopt similar strategies since every firm has a

unique set of resources and capabilities. Firms are to deploy their unique resources and capabilities that link to the industry success factors (Grant, 2005).

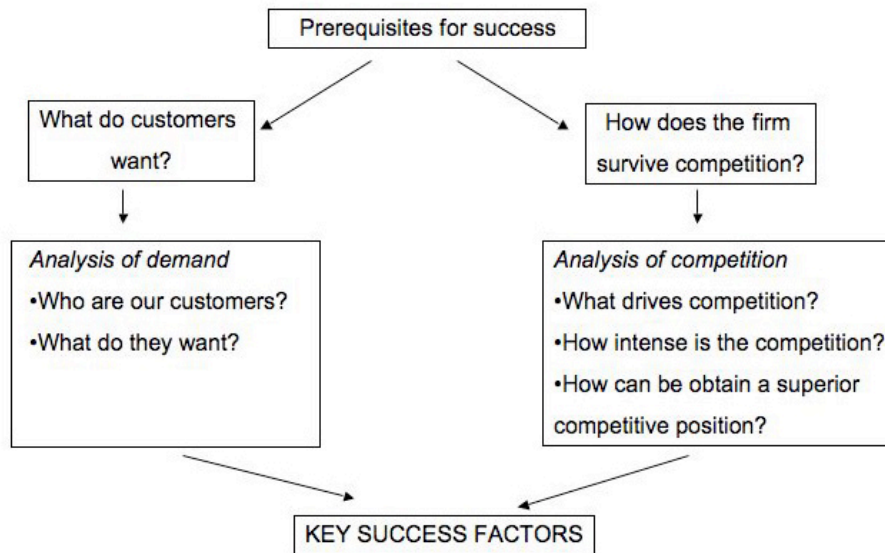


Figure 1 Identifying Key Success Factors

3.3 Resource-Based view

Grant states that due to the internalization and deregulation, competitive pressure has increased within most sectors. Few industries and markets offer refuge from tough competition. Further considering the fact that empirical research shows that industry factors account for only a small part of inter-firm profit differentials. Grant consequently suggests that establishing competitive advantage through the development and deployment of resources and capabilities, rather than covering from the intense competition, has become the primary goal for strategy. (Grant, 2005) Therefore, the resource-based view is used in this thesis to aid us in describing and analysing how an entrepreneurial company can establish itself on a foreign market, and further receive leverage on their resources. Below will hence give the reader knowledge of what the resource-based is, and is used in this thesis.

When the external environment is under constant change, the firm itself, in terms of its resources and capabilities, may be a more stable basis on which to define identity (Grant, 2005). Therefore the resource-based view has gained greater influences within the school of strategy. The theory from Jay B. Barney wants the firm to focus on evaluating its strengths and weaknesses. A firm's resources and capabilities take account of all the financial, physical, human, and organizational assets used by a firm to develop, manufacture, and deliver products to its customers. (Barney, 1996) Financial and physical resources can be such things as debt, equity, retained earnings, the physical are the machines, manufacturing facilities, and buildings firms use in their work. Usually the financial and physical assets are identified, and valued in a firm's financial statements. They are also referred to as tangible resources. Human resources are all the experience, skills, knowledge, decision-making abilities, judgement, risk-taking propensity, and wisdom of individuals associated with the firm i.e. the productive services that the employees offers the firm. Intangible and organizational resources include the relationships, history, brand name, trust, reputation and organizational culture that are associated with a firm along with a firm's internal structure, control systems, and dominant management style (Barney, 1996 & Grant, 2005). The essential of the resource-based view is that a firm is a pool of resources and capabilities, and that these resources and capabilities are the primary determinants of its strategy and performance, the greater the rate of change in a firm's external surroundings, the more likely that internal resources and capabilities will provide a secure basis for long-term strategy (Grant, 2005).

The resource-based view lays emphasis on the uniqueness of each company and suggests that the solution to profitability is not by doing like other firms, but rather through utilizing difference. When seeking to establish a competitive advantage, implies formulating and implementing a strategy that exploits the uniqueness of a firm's portfolio of resources and capabilities (Grant, 2005). Barney suggests that when applying the resource-based view the VRIO framework should be used. This framework, presented in *Figure 2*, will aid the reader in further understanding of the model. There are four questions that must be asked regarding a firm's resources or capabilities. This to evaluate whether, or not it will be a source of competitive advantage. These are the question of value, the question of rareness, the question of

imitability, and the question of organization (Barney, 1996). It is also important to make a distinction between the resources and the capabilities of the firm: resources are the assets within the firm whilst the capabilities are what the firm is able to do.

Valuable?	Rare?	Costly to imitate?	Efficiently organized?	Competitive Implications
No	No	No	No	Competitive Disadvantage
Yes	No	No	No	Competitive parity
Yes	Yes	No	No	Temporary Competitive Advantage
Yes	Yes	Yes	Yes	Sustained competitive advantage

Figure 2, The VRIO framework from Barney.

3.3.1 The Question of Value

To evaluate the competitive meaning of a firm's resources and capabilities the question of value must be answered. Considering this, the firm must answer to what resources and capabilities enable it to respond to environmental opportunities and threats. By answering this question firms link the analysis of organizational resources and capabilities with analysis of environmental opportunities and threats. Firm resources are only valuable when they exploit opportunities and neutralize threats. (Barney, 1996)

3.3.2 The Question of Rareness

If many competing firms control a certain resource, then that resource is unlikely to be a source of competitive advantage for anyone. Instead of being referred to as a rare resource, it is considered to be common. The question of rareness is important so the company questions how many competing firms already possess the valuable resources and capabilities. If there are other companies that hold these resources and capabilities, they are not rare and will not lead the firm to a sustainable competitive advantage. (Barney, 1996)

3.3.3 The Question of Imitability

If a firm has resources and capabilities that are both valuable and rare it can gain a temporary competitive advantage. Though if a firm wishes to obtain a sustained competitive advantage the observations lead to the question of imitability. Then the company must ask if other firms without their resource or capability, face a cost disadvantage in obtaining in comparison to the firm that already possess it. There are ways of imitating resources, duplication and substitution. Duplication occurs when an imitating firm builds the same kind of resources and capabilities as the firm it is imitating. Substitution arises when a firm substitutes some resources for other resources, if the substituted resources have the same strategic implications and are no more costly to develop, then imitation through substitution will lead to competitive parity in the long run. (Barney, 1996)

The question is when resources and capabilities will be costly to imitate, through duplication or substitution? There are three categories to answer that question: the importance of history in creating company resources and capabilities; the importance of numerous “small decisions” in developing, nurturing, and exploiting resources and capabilities; and the importance of socially complex resources and capabilities. (Barney, 1996) The importance of history refers to the fact that firms are constantly moving and picking up abilities, skills, and resources that are special for them. For that reason it is difficult for another firm to get the particular resources and capabilities that are only available at a specific time. The development of valuable and rare resources and capabilities depends on the unique historic situation and circumstances surrounding the firm. The importance of numerous “small decisions” is the matter that a firm’s competitive advantage seems to be dependant on many “small decisions” instead of few “big decisions”. This makes it harder for competitor’s to know what “small decision” have been made since they usually are invisible and therefore harder to imitate. “Big decision’s” are typically easier to recognise, describe and more obvious and consequently easier to imitate. (Barney, 1996)

3.3.4 The Question of Organization

To realise the full advantage of a firm's resources and capabilities they must question if the firm is organized to support and exploit these features. Within this the company must see how its control systems, management style, formal structure etc is organized. It is the presence of these components that is important for a firm to have so that it gets full potential of its unique resources. (Barney, 1996)

3.4 Foreign Market Entry

Axelsson et al refer to Root, who has made a typical list concerning the traditional way of entering new markets. According to this guideline, the first step is to find the choice of a target market and then continuing determining the objectives and goals in that market. Third, the choice of an entry mode to penetrate the targeted market is needed. Finally the firm should look into the control system to monitor performance in the target market. (1992)

Axelsson et al therefore write of three critical issues of importance in a foreign market entry process: orientation, positioning and timing. Orientation involves that the company's attempt to get an understanding of where different companies, including themselves, stand in relation to each other. Positioning implies the process of which the actors develop their position in the network they work, and have a relationship with; it basically involves a process in which resources are invested in relationships with other actors. Thirdly, timing cannot be based on careful planning, it is a matter of seeing opportunities when they show up and being able to act promptly. Meaning that a firm should take an appearing chance when it comes, if it fits into the existing activity and resource structure. Although this also suggests that preparedness is important. (1992)

Johanson et al. means that to enter a foreign network it requires that other actors are motivated to engage and receive the firm in interaction. This is often exceptionally resource and time demanding which may also require that several firms adapt

themselves in their ways of making business. (1993) Therefore finding the right distributor, agent or partner can be essential for a successful foreign market entry.

3.5 Brand Strategy

Brand strategy is an important aspect when looking at sustaining value in the company. Using the brand as a strategic tool, and further using it as a launch tool in a foreign market can be essential. Brand strategy is important for this thesis as an implement to see how a firm can compete in a foreign market, where the importance of branding is critical in achieving leverag. Jean-Noël Kapferer's book *The New Strategic Brand Management* introduces many different and important aspects of brand management and how to create and sustain brand equity in the long term.

3.5.1 Brand Triangle

Kapferer highlights the Brand Triangle; see *Figure 3*, where the author means that the brand is a living system that consists of the *Brand concept*, *the Brand name and symbols* and the *Product* itself. For it to gain market share “the brand must be enacted by people from first contact, embodied in the product, the service and the places where it is found, it must be communicated, distributed and activated by deeds and behaviours.” (Kapferer, 2004 page 12f) The Brand Triangle further enlightens us how the product should be identified and where the logo or name speak for it should be placed. If the name or sign being chosen works internationally is an important aspect, and it may have to be altered to fit other countries preferences. The triangle helps us in comprehending brand management and how to gain power by making the brand concept more known, more bought and shared by others. The Brand Management theory will help our study by achieving knowledge of how a firm should, depending on its product or service, behave when releasing a product abroad. Further it helps answering what the firm should think about, and how to create the brand as a valuable and sustainable tool in the long-term.

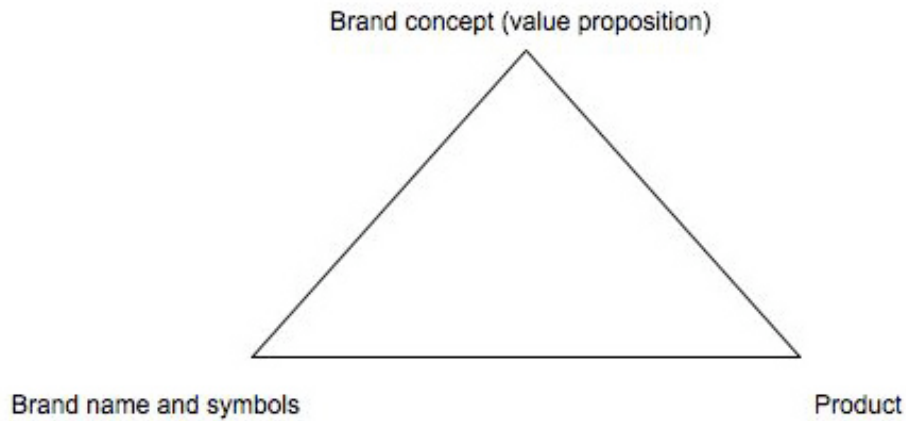


Figure 3, The Brand Triangle

3.5.2 Brand building

Brand building takes time if a company wishes to build a really strong and well established brand. There are according Kapferer two ways of doing so: from the product advantage into intangible values, or from the values to the product (Kapferer, 2004). We have seen many companies throughout the years launching homogenous products, though having values differed from others, and consequently becoming diverse and valued higher than others, such as mineral water brands as VOSS² (Olof Tranvik, 2006-02-17). Many brands start as a concept or idea, usually fashion brands, spirits and cigarette brands. At that point the brands are on an intangible level, though the source of brand benefit arises as the sales increases and they gain a symbolic participation on the market. The firm must then ask what attributes and characteristics should be embodied in these values and benefits. This reminds us when launching a product brand, the firm must think of the importance to incorporate the higher levels of meaning, that are intended to be attached to the brand in the long term. By incorporating this from the start, it accelerates the process by which the product becomes a brand. See line 1 in *Figure 4* (Kapferer, 2004). Though, most other brands do usually not start as brands but more as names of an innovative product. But with time, a name acquires awareness, status, and trust as a result of the communication and promotion, which have been accompanied with the business building. Little by

² VOSS is an exclusive mineral water from Norway, emphasising the pureness of the Norwegian water springs, sold for 50 SEK a piece.

little an inversion takes place in the process and instead of the product building brand awareness and reputation, the brand is the tool that differentiates the product with its unique values, see line 2 in *Figure 4* how this is accumulated. The model shows how the brand can determine which new products that match its desired image and through this work to increase its product portfolio. Kapferer brings up that luxury products or premium products, must give their buyers the feeling that they have bought something great and that the price difference is justifiable. Also, when attaching the brand to intangible values leads to added value and prevents substitutability. (Kapferer, 2004)

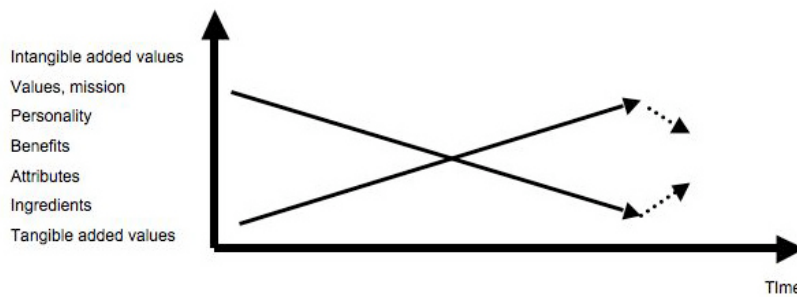
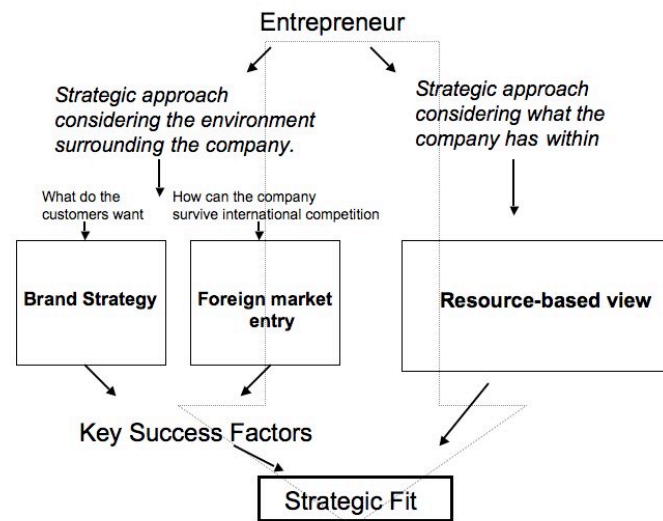


Figure 4, The two models of brand building

Luxury brand building is especially significant for this study since premium product in this thesis compared to that of a luxury product. There are according to Kapferer two ways of distinguishing between business models for luxury brands, first the brands with a *history* behind them, and second those brands, which lack history of their own and have instead, invented *stories*. (Kapferer, 2004)

3.6 Theoretical frame of reference

The theories stated above are used as a framework for our further research and how this will be exercised is shown in the brief picture below:



The theoretical framework presented is based on an entrepreneurial firm wishing to find their resources and capabilities, so that they can achieve strategic fit and thereby attain leverage on a foreign market. The emphasis is not on the *entrepreneur* as a theory, rather it will be used as a guideline in finding strategic fit on a foreign market. To help us answer this we will use the *Resource-based view* to see what an entrepreneurial firm's resources and capabilities are so that they can profile and differentiate themselves against competitors.

The desire is to see what strategic approach an entrepreneurial firm should acquire considering the environment surrounding them. Bearing in mind the facts of the business environment, the *Key Success Factors* will be used as a tool finding the strategic fit. To our help in the identifying process of these factors the theories regarding Brand Strategy and Foreign Market Entry are used. Answering what the customers wants will be aided by using *Brand Strategy*, since a need for the finding of the key values is essential when learning how to communicate with potential customers. To answer what the company can do to survive competition on a new market, the theory of Foreign Market Entry is applied. Through this theory's strategic tools: *orientation*, *positioning* and *timing* the wish is to come to a conclusion of what the key success factors are for an entrepreneurial firm wanting to enter a foreign market and achieving strategic fit.

Chapter 4

Case company – Private Brands AB

This chapter gives the reader a deeper knowledge of the company Private Brands AB, their product, Karlsson's, and the people behind the company. All information stated below comes from a presentation of Private Brands and Bjäre Hembygd, 2006-02-17.

With our theoretical frame of reference in mind, the mission with our empirical data of the entrepreneurial firm Private Brands is to help us seek what resources and capabilities the company has within and what their strategic goals are, so that they can achieve strategic fit.

4.1 Company presentation

Private Brands AB is a company that has grown out of a farmer's cooperation in north-western Skåne called *Bjäre Hembygd*, and have been on the market since 2004. Bjäre Hembygd is a company that produces exclusive new potatoes (See Appendix 1, picture 1) to the Swedish market and Private Brands has taken their alcohol product, Karlsson's, (See Appendix 1, picture 2) in possession so that it does not interfere with Bjäre Hembygd.

Private Brands mission statement is to produce, distribute and market unique consumption products with a specific user group in and outside of Sweden. Their main product today is Karlsson's, made out of Swedish new potatoes from Bjäre Hembygd. The vodka has been on the Swedish market for the past two years, and has been distributed to restaurants and bars through *Vinalliansen*, and to consumers through *Systembolaget*. The product has unfortunately not reached large success in Sweden since the company has not had good distributors to work with, nor do have they been able to communicate how the vodka should be drunk.

4.1.1 Private Brands strategic plan for the future.

Private Brands main activity is to work as a commercial house with its own distribution and marketing of a selection of brands – own and others. Private Brands plan is to be established on new markets, since the company does not see the Swedish market large enough for its profit goals. Therefore Private Brands is in the process of establishing a sales organization in Asia, mainly in China/Singapore and Thailand, so that the company can assure closeness to the future key markets. Private Brands believes that the Asian market is right for its products due to an increasing wealth in the economy and the emerging middle class. Another reason for the attractiveness of the Asian market is because of the increasing external influences from the West. This have resulted in a small but growing vodka market in Asia. However, the question of how to establish on this market is the company's main challenge today.

Further Private Brands believes that the way vodka is consumed and used today is not how the product will be used tomorrow. The belief is that the main purpose of the spirit will go from *badge value*, where the brand and what it stands for is essential, to an extra beverage that enhances the consumer's dining and drinking experience. Further the company believes that the important qualities of vodka will go from image, and purity to ingredients, taste and health with more focus upon the intrinsic such as the ingredients heritage and the products' roots. Looking at today's market it has a more extrinsic focus where imageries and appearances matching the consumer's lifestyle is a main focus.

Private Brands believes that the company will sell 100,000 cases of Karlsson's in 2010 and that 50 % of their volume will be from Asia, with a net profit per case of 300SEK. The road to get here is harder for them, as a newly started entrepreneurial firm without the financial assets that usually is required for a launch like this. Private Brands' guiding principle is to allocate the Ultra-Premium segment, where bottles are sold at 500 SEK a piece. The firm wish to create value for their brand and their company through building a customer loyalty to brand as well as to the company. They also seek to bridge consumer loyalty to include the company "*A quality product from Private Brands AB*". Thinking global – acting local is a hallmark of their

principles as they seek to successfully manage different environments and adopt their core brands for different occasions.

4.1.2 Karlsson's New Vodka

Karlsson's flavour is invented by the same man who came up with the essence of Absolut Vodka; Börje Karlsson, and the name of the vodka originates from him. Karlsson's vodka is the first new potato vodka ever made in Sweden and additionally the first vintage vodka³. Year 2004 the vodka was launched at several selected restaurants and the enthusiasm of the product has been huge, by professionals in the Swedish hotel and restaurant industry.

Karlsson's does not taste as the usual vodka does. The vodka is not neutral, it has unique characteristics that makes the vodka more of an "after-dinner" drink and is not the ideal drink mixer, rather an elegant way to complete a good meal. A 75cl bottle of Karlsson's costs about 500 SEK, which makes it expensive in comparison with other distilled spirits. Karlsson's competitor's are, as Private Brands see now, not other vodka brands, rather other "after-dinner drinks" such as Cognac, Whiskey and Grappa. Karlsson's has a very specific taste and should not be used as vodka to blend drinks with and therefore are competing with Whiskey, Cognac and Grappa. The consumer is, according to Private Brands, wealthier older men, though their goal is to communicate their bottle to the younger generation so that it will be seen as hip and trendy.

Karlsson's bottle, (see Appendix 1, picture 3) looks like a medicine bottle and has a label that informs the consumer from what sort of potato it is made of. Furthermore the label includes information of which meadow the potato originates from, which year it was harvested and besides that the bottle is numbered. The person who designed the bottle, Hans Brindfors, was the same person who created the famous Absolut bottle.

³ Vintage meaning a new harvest of vodka every year.

Private Brands aspire to build purchase intent through five communication platforms: Usage, Ingredients, Process, Users and the People behind it. How these five will be communicated is through direct marketing, promotion, trade shows, local programs at restaurants and nightclubs. Below we will look over their five communication platforms:

- *Usage* meaning getting customers to learn to enjoy the drink. How to use it and when to use it. This implies having drink suggestions – what mixes well with the vodka, and what does not mix at all with it. Food suggestions are also needed through spokes persons, endorsements and personal selling.
- By communicating the *ingredients* or *uniqueness* of Karlsson's, Private Brands seeks to communicate the essential matters of the vodka: new potato, virgin, different soils, different potatoes, different years, the peninsula of Bjäre, wind, rain, ocean and pureness.
- The *process* is communicated to justify the price of the vodka, the short production series, the craftsmanship, Börje Karlsson's formula and quality assurance systems.
- *Users* which make you relate to the brand, are educated, successful, healthy and the kind of people that "rather by one bottle of good wine than three bad".
- *The people behind* it make the brand interesting, create the story behind the brand and therefore a conversation piece, the proud farmers that have harvested the potatoes, the connection with Absolut vodka; Börje Karlsson, Hans Brindfors and Olof Tranvik.

→ Olof Tranvik is the Chairman of the board of Private Brands and has a lot of experience of starting firms within Asia and the beverage industry. He worked with the launch of Absolut Vodka in the United States in the early 1980s, and successfully imported and distributed *gravlax* to high-end restaurants at this time. He has also worked for the Coca Cola Company for the last 20 years establishing offices and production plants in Europe and Asia.

→ Börje Karlsson is an elder, prominent, renowned Swedish blender who has invented many important flavours as head of

the laboratory for *Vin och Sprit* in Sweden. Today he is retired and works exclusively with Private Brands' vodka production.

→ Hans Brindfors, is as mentioned above, the designer of the Karlsson's bottle and has earlier in his career worked with the design of the Absolut Vodka bottle.

Chapter 5

The Chinese market

In this chapter a background of the Chinese market and consumption patterns is presented. A market overview and an explanation of the Chinese culture is given to the reader in order to provide a picture of why Karlsson's should enter the Chinese market.

With our theoretical frame of reference in mind, the mission with our empirical data is to help us search the environment surrounding the entrepreneurial firm in its exploration of finding key success factors and achieving strategic fit.

5.1 Empirical data from other authors

" There lies a sleeping giant, let her sleep for when she wakes up she will shake the world," Napoleon Bonaparte on China, early nineteenth century

5.1.1 Demographic trends

A trend in today's China is the increasing urbanisation. A huge number of Chinese move from rural to more urbanized areas such as the cities in the East and Southeast of China. According to Garner the Chinese government statistics from 2002 shows that 39,1 % of the Chinese population was urbanised. This number will rise in the future to an estimation of 58,2% in 2024. During this 30-year period, China's urban population is expected to expand from 350m to 750m. He further states that the main motives for migration are clear: to seek better remunerating professions and attain a higher standard of living. The optional consumption spending, in opposition to spending to meet basic needs, is almost certainly to remain an utterly urban

phenomenon in China. He therefore claims that the addressable market, particularly for those sold by foreign companies, is the urban population not the population as a whole. Urban migration is likely to be centred on regions that are already prosperous, such as the provinces in the southeast and east China. These areas are Beijing, Shanghai and Guangdong (former Kanton). (Garner, 2005)

According to Asian Demographics Ltd in Garner (2005) death rates in China are likely to persist to decrease as urbanisation and wealth increases, but birth rates will fall significantly faster. This is due to the reduced birth rate per woman as a result of the one-child policy, and a fall in women of a childbearing age, due to the favouritism of births in males. The future scenario for China is an ageing population. Today the country's majority of the population is between the ages of 15 and 44. In 2024 the percentage of the population in the older age groups will rise significantly. For example, the number of people in the 20-24 age groups will almost halve from 120m in 1994 to less than 60m in 2024. In comparison, the number of people in the 50-54 age groups will triple from around 40m in 1994 to over 120m in 2024. (Garner, 2005)

5.1.2 Consumption spending pattern

According to Garner's forecast the proportion of the urban population earning over US \$5000, which is a level associated with the switch to considerable discretionary consumer spending – also known as “new consumers”- will rise from 17,4% to 90,6% of the total from 2004 to 2013. Over this period the amount of households able to make optional consumer purchases in contrast to meeting basic needs will increase from 31m to 212m. Garner further claims that the strategic conclusion for foreign companies that want to enter the Chinese market is to set a price to meet a specific income level and hold the price point and make preparations to meet the volume increase. Thereafter distribution systems and scalable business models will be of great importance to succeed. (Garner, 2005) According to Vencat, (Newsweek, 2006 No. 20) China already has 300,000 millionaires who can afford to buy premium goods today, and they are more willing to do so than their western counterparts. It is not uncommon for a wealthy, educated, young Chinese to spend a months salary on a Gucci belt or a Louis Vuitton handbag. Vencat also means that by 2010 China will

have a quarter of a billion consumers who can afford luxury products, which is 17 times the present number according to analysts at Ernst and Young. She furthermore states that as much as 20 percent of annual global luxury sales will come from the wealthy in China, according to Merrill Lynch analysts in Vncat. (Newsweek, 2006 No. 20)

Garner states that there is a much larger opening for foreign businesses in China, which is focused on products and services oriented towards the senior segment of the population (2005). These product categories, geared towards the older population, could be restaurants and leisure facilities and tourism destinations that have an orientation towards older consumers. They can also be items such as health items, automobiles that put emphasis on safety and fuel efficiency over speed, household care and luxury goods including spirits aimed at the older person. (Garner, 2005)

In accordance with Garner (2005) there is a great confidence that China represent a huge opportunity for premium goods companies. The value of the expenditures of the urban households is set to grow by an estimation of 17% over the next 10 years. As the Chinese population ages over the coming years and becomes more wealthy, Garner believes that the gratifying and satisfying of the older segment groups will be fulfilled by supplying them luxury goods rather than necessity or basic goods. Companies that sell luxury goods will then be strongly positioned particularly with product types such as spirits. As the Chinese population elders, the luxury goods companies will be challenged to keep hold of the current customer base and broaden the age range of their market as time proceeds. (Garner, 2005) Vncat further explains that: "Shanghai, Mumbai and Moscow are set to join Paris, London and New York as luxury style capitals of the world – not only getting the latest Prada show, Armani boutique and Bentley dealership, but also setting the agenda for what the rest of the world wants." (Newsweek, 2006 No. 20, page 78).

According to Fang (2005) expensive products, antiques and all limited edition products fascinate the Chinese. For a company to effectively try to avoid the counterfeiting in China, it would have to choose a market segment and use a strategy that is well planned. This could be to sell expensive products to well-off Chinese

target groups for profit maximization, while trying to spread knowledge of the company and the product through a “copy me” tactic. He further claims that the Chinese, in ten years time, has developed rapidly from not having any knowledge of brands and branding, to today’s most brand loving population of the world. (Fang, 2005)

5.1.3 China’s growth potential for the spirits market

The population growth in many markets of the world is expected to stimulate a rise in consumption of alcoholic beverages worldwide, this in combination with the economic growth that will fuel the rising demand. According to Garner (2005) China is rising as a very important market for foreign alcoholic beverage industries. The market for imported spirits is today very small, only a 1% share of the total market. Though the margin of imported spirits is very high because the demand is principally high-end bars and trendsetting restaurants. He further states that the high personal income rise is boosting a rapid growth in the bar and restaurant customers where for example Scotch whisky sells for US\$150-350 per bottle compared to c. US\$60 which is the international normal. (Garner, 2005)

According to Impact (2004) the Chinese market for alcoholic beverages is the largest single market in the world and also the most dynamic. The country had a rise in consumption of alcoholic beverage of 3.1% to 31.18 billion, which is a gain of 900 million litres in 2004. Of this amount the distilled spirit market represented 5.31 billion litres, which is a 17% share of the alcoholic beverage consumption. The consumption level of distilled spirits has always been high in China, due to the large amounts of local spirits in the market. In 2004 China also held a first place of the “top ten countries in consumption of distilled spirits” with a volume of 584 million nine-liter cases. International spirit brands have made a fairly modest progress in China and are today reserved for the middle and upper classes of the society. Still the upper and middle class remain a rather small part of the total population.

The domestic production of spirits is one of the reasons why China has been difficult to enter as an international spirit brand. In the 1990’s many spirit companies started to

invest heavily in the Chinese market in expectation for a huge demand of international spirit brands, but did not achieve large successes. Particularly Scotch whisky and Cognac tried to explore the market but were met with repulsively incomplete distribution and irregular government strategies. As a result of this a lot of producers withdrew their financial obligation to China, although the forecast for future scenarios for growth potential are positive. The consumers in China are gradually becoming more sophisticated and are highly brand conscious, which predicts well for international alcoholic beverage sellers. (Impact, 2004)

5.1.4 Social and cultural influences on consumption and business

The social and cultural backgrounds of consumers clearly influence overall consumption spending as well as product and brand preferences. According to Garner there are some essential features that affect consumption behaviour, which appear from China's exceptional history, as well as the ongoing governmental changes. The role of the country's recent history has for example played an important part in influencing the attitudes of consumers of different age groups. The country has moved from being more or less closed to external influences and trade, to a high degree of openness and a considerable rise in income and wealth. Consequently with the growing middle and upper classes the demand for sophistication has become more important. Taste among these segments is increasingly striving for that of consumers of the west. (Garner, 2005)

Chinese society has extensive networks of personal relationships often summarized under the term *Guanxi*, which affects the business climate. According to Björkstén (Fang, 2005) *guanxi* can be described as a system of favours and favours in return with a strong emphasis on trust. Such a relationship takes time to build and needs to be maintained. For a company wanting to enter the Chinese market, it has to develop and generate the necessary personal network on its own, during the establishment process. The Chinese prefer to do business with people they identify and recognize. To start a network in China you need to be introduced to a person who can "open the door" to the set of nodes and connections required when setting up your business. But for the contact to be efficient and useful you have to "own" the contact, which

often calls for constant maintenance and trust, something some western businessmen are not aware of. (Fang, 2005)

According to Fang the Chinese culture is a culture that focuses a lot on the human being. One of the main conceptions in Chinese culture is *Face*, which can be described as the façade that a person wants to maintain. In Chinese society it is dreadful to do things that can challenge your image or *face*. An example of this is that you could be asked a question that you are incapable to answer, which results in you losing face. To uphold your façade you would need to be associated with products and other things that reflect your image. (Fang 2005)

5.2 Empirical data from our research in Shanghai

The following research data is collected from several interviews conducted at place in Shanghai, China. Fortunately for the validity and reliability of the data gathered, a lot of our findings refer back to more than one person, when this is the case reference is not always given.

5.2.1 The development of foreign spirits market in China

Today the Chinese market for spirits and alcoholic beverages, according to all our key persons interviewed, is in the juvenile phase. There are few foreign brands that have their names established and are recognised by the Chinese population. The existing brand recognition are exclusive to the big cities of China where foreigners have settled down and brought their knowledge of brands and drinking traditions with them, which is obvious to all bar managers interviewed.

Jamie Connell (2006-05-06) states that the Chinese people are almost indifferent to alcohol beverage branding, they are more product oriented than brand aware. An example he presented is when a Chinese wants Champagne he/she orders Champagne, and not a particular brand. This has consequences and also requires a lot of marketing to create brand awareness. All the people interviewed claimed that the

Chinese people awareness of brands lies in the future when the alcoholic beverage market matures. According to Axel Nordegren (2006-05-10), despite this the Chinese people are even now willing to pay an extremely high price for a western product.

In accordance with Per Karlsson (2006-05-07), there is a huge local spirit market in China, with a sale of 600 million cases⁴. The foreign brands market share are compared to this stunningly small, with 1,5 million cases. Of this Chivas Regal stands for 700 000 cases, Cognac 500 000 cases and Vodka for 150 000 cases. In comparison to the local spirits share this seems small, but kept in mind that for ten years ago the foreign spirits share was 1 000 cases sold per year, it shows the explosive growth of the foreign spirits market in China. Sunny Feridum (2006-05-08) claims that this can be explained by the huge amounts of money invested by foreign alcoholic beverage companies in the industry, including commercials, events and sponsorships to increase foreign alcoholic beverage consumption.

5.2.1.1 Chivas Regal's conquest of the Chinese market

The only western spirits brand that has succeeded positioning their brand towards the Chinese population and created awareness, is the whiskey Chivas Regal. According to Per Karlsson (2006-05-07) this was partly due to effective marketing and timing but mostly because of the first mover advantage created by Seagram⁵, who was in possession of the only importing license of alcoholic beverages at that time. Per Karlsson further states that the success of Chivas Regal's marketing campaign was mostly because it fitted the previously found and planned target customer. The target customers were not only foreigners in the large cities of China, but also the wealthier Chinese all around the country. The Chivas Regal marketing campaign included television commercial, never done before by an alcoholic beverage company. The commercial was set with background music, which later became a massive hit in the whole of China. This was due to that the background music was frequently played at karaoke television, which was and still is a huge tradition in China. These

⁴ Which each contain nine litres of spirits

⁵ Seagram was the largest distributor in the world of international alcohol beverage brands before being acquired by Pernod-Ricard in 2001

circumstances enhanced the awareness of the brand and made it easier for the brand to grow.

5.2.1.2 The importance to embrace the Chinese culture

In accordance with Mats Norvenius (2006-05-09) the Chinese tradition and culture is highly significant to foreign brands that want to launch in the country. Foreign brands that desire to reach the population of China need to have a Chinese name, meaning, and a designed package that attracts the consumer. More importantly the package should contain an image that shows status and wealth. Mathieu Brauer (2006-05-10) states that at high-end bars, clubs and restaurants the more wealthier Chinese often orders whole bottles to their company at the tables. The importance of *Face* in Chinese traditions highly reflects the choice of bottle and this aspect can be crucial for an entry strategy of a foreign brand. The more powerful the bottle is the more status it contains and the more respect it gives the one who ordered it. The bottle and its brand needs to communicate the person and his or hers values. Furthermore the Chinese holds no value to the product and its content. A typical example of this is, according to Jamie Connell (2006-05-06), that in nine out of ten cases, the wealthier Chinese ordering a bottle of Chivas Regal drinks this with a mix of green tea. This consumption pattern contributes to the importance of the bottle design and the status it communicates.

According to Mats Norvenius (2006-05-09) the wealthier Chinese in the bigger cities of China, adopt more and more to Western products and traditions. All products and chains that originate from the West have become trendy and hip. For example Starbucks has opened in every corner, and are full of Chinese people. For a wealthier Chinese family, spending time in a Starbucks coffee shop during Saturday or Sunday can be the highlight of the weekend. In the foreign alcoholic beverage industry the pattern is similar, where more and more wealthier Chinese take on western kind of drinking habits in bars, restaurants and clubs. As an example the western wine tradition is coming to restaurants in the big cities of China.

Norvenius (2006-05-09) further emphasizes the value of age in Chinese society. Especially old men are seen as wise, skilled and full of knowledge, something important and highly valued in Chinese families and in society.

5.2.2 The importance of distribution channels in China

In accordance with Per Karlsson (2006-05-08) there are 2-3 big distributors of foreign spirits in China today, which is due to the hard regulations of setting up a foreign business in the country. The present existence of governmental control, which originates from the long period of communistic rule, results in that the process of getting a product into China requires a long and often expensive period of governmental product testing, to finally receive the different licenses. Depending on how many contacts and previous established relationships with the government the process either shortens and gets less expensive or lengthens and require more financial resources.

All the persons interviewed claim that the process of relationships building is of major importance in China. The business life in the country is imbued by the *guanxi* way of thinking. These relationships are not an isolated phenomenon; they have the need of a consequent support and maintenance. According to Per Karlsson (2006-05-08) this can be very hard and difficult for a single foreign company to undertake, which intensifies the need for good local distributors. He further claims that a local distributor has the advantage of market knowledge, and the language skills required. Today the business language used in China is mostly Mandarin and they have problems reading Semitic characters. This combined with a large cultural difference makes the choice of a high quality local distributor decisive for an effective and profitable China market entry.

Chapter 6

Analysis of Karlsson's strategic fit for the Chinese market

In this chapter we will take our reader through an analysis of our purpose. The empirical research presented earlier together with our theoretical frame of reference is used as the basis for our analysis.

6.1 Introduction of analysis and theoretical framework

Our purpose, to identify and analyse the key success factors for an entrepreneurial firm, so that it can achieve leverage when establishing on a foreign market with a premium consumer product, takes us through many important aspects. Through our empirical findings combined with our theoretical frame of reference we seek to respond to our purpose. Being an entrepreneurial firm and finding strategic fit in a potential market, requires finding key success factors, something essential when entering a foreign market.

The spirits market in China is tough for a foreign company to enter. As stated in Chapter 5, the cultural aspects as well as the immaturity of the Chinese spirits market can be hindering in establishing a successful business. Being an entrepreneurial company is an even greater challenge, especially when the company lacks experience in the field. The challenge increases when the firm does not yet have a solid home market, nor brand recognition.

For an entrepreneurial company like Private Brands, seeing to its resources and capabilities is crucial for entering a foreign market like China. This because focusing on such essentials emphasizes on the uniqueness of the company and does not suggest

that a firm should do as others, but rather exploit its differences. Companies doing this may achieve competitive advantages when establishing themselves on a new market. Although, a firm must see how the business and cultural environment looks like before entering the market. In turn, through using the key success factor model presented in this thesis, we seek to bear in mind what the customers want, and how the company should position itself in the market. This so that leverage can be attained.

6.2 The advantage of being an entrepreneurial firm

When defining “entrepreneurship”, Gibb in Kirby (2003) states that entrepreneurial firms are characterised by an innovative product and behaviour, and manages the business for the purpose of profit and growth. In contrast he claims that a small business owner establishes a firm for pursuing personal goals and does not engage in any new marketing or innovative processes. Regarding our case company Private Brands, we see them as an entrepreneurial firm and not a small business, since they have a new innovative product, and strives for business growth and profit.

According to Kirby (2003) there are several advantages of being an entrepreneurial firm on a new market since they lack bureaucracy, have quick decision making and a high level of risk taking. Today Private Brands employs four persons, which makes the decision chains short and rapid. Olof Tranvik, the chairmen and person behind Private Brands’ attempt to enter foreign markets, is committed, effective in communicating, has the ability to take risks, and adaptable in his management. These are some key features that characterise the advantages of being an entrepreneur, and gives the firm the attacker’s advantage when entering a foreign market.

Introducing a new product on a new market is a risk-taking activity, and according to Kirby (2003), to reduce the risk, the entrepreneurial firm must be near the market. The firm should be close to the consumers in order to energetically search for new openings and through this respond to their reaction. In this we see an opening for

Private Brands in China through close contact to local distributors. Having a near relationship with them can help Private Brands create a better relationship with their customers. Through this they can also adapt their products to the Chinese consumers' preferences so that profitability is gained in the new market.

6.3 A resource based analysis of Private Brands

When working with increasing competitive pressure and aiming at establishing in a dynamic environment, focus on what a company possess and is able to perform creates the stability needed in today's international companies. Grant (2005) states that a continuously, effective development and deployment of a companies resources and capabilities are the outperforming strategy to attain a sustainable competitive advantage.

For an entrepreneurial company like Private Brands, looking at establishing on a foreign market, and being profitable in the long term; the strategy must be to explore their unique resources and further create capabilities unique for the company. With this in hand, the future goal is to gain desired leverage of their unique resources and capabilities impossible for competitors to achieve. When performing a resource-based analysis on Private Brands we aim to identify their unique resources and capabilities. Further to apply these on the Chinese market and environment to see which of these that will be needed for an entrepreneurial company, with a premium consumer product, trying to establish in China.

In order to perform a resource-based analysis of Private Brands, Barney's VRIO framework is consequently used in the study below, on both the company's tangible and intangible resources. Asking the four questions: the question of value, rareness, imitability and organization, we wish to evaluate if the resources or capabilities further will be a source of sustainable competitive advantage, and later a reason for strategic fit between Private Brands and the Chinese market.

6.3.1 The tangible resources

The resource-based view (Barney 1996) states that a firm must evaluate their strengths and weaknesses to be able to focus on its strategy and to explore and enhance its resources and capabilities. Barney further states that these can be identified and valued in a firm's financial statements, such as financial and physical assets, and are referred to as a company's tangible resources. The tangible resources belonging to Private Brands, as newly started company, are both of no value and decisive.

6.3.1.1 Financial resources

The financial assets of a newly started company, such as our case company, are often referred to as the most important resource when establishing on a foreign market. Due to the well-known need of mass marketing when presenting an unknown product to a foreign population, requires a financial ground that many entrepreneurial firms, as Private Brands, lack. Being a new started firm, the ability to compete with established firms regarding financial assets are almost impossible. This statement is enhanced when looking at the Chinese market, where according to Fang (2005): the most brand loving population of the world live. The usual technique to create brand awareness in this case would be through expansive and expensive marketing.

Though when applying Barneys VRIO framework it becomes clear that even if the question of value is evident, a strong financial base is always of value for a company. Though, when asking the question of rareness the outcome differs. Looking at companies establishing on a foreign market, a strong financial resource base is not rare, but often of great necessity. This leads us to the conclusion that financial assets as a resource are required to compete against other companies, but is not a reason for a sustainable competitive advantage.

6.3.1.2 Physical resources

To possess a unique physical asset could be a way for an entrepreneurial firm to enable an advantage against competing well-established firms. Though, this can only occur when the asset is nature- or place specific and in the company's possession from the beginning. Commonly a physical resource is something acquired by financial assets and therefore often not seen as a possibility for newly started firms to possess.

Private Brands' most endearing physical asset is their product, or better the company's possession over the natural resources that imply the product Karlsson's. These unique natural resources are valuable, due to their importance not only in the creation of the unique vodka but also for the image of the company. These resources are rare considering the uniqueness of the nature, but also the fact that Karlsson's is the first vintage vodka ever made. This leads us to the question of imitability. Substitution is hard for a competing firm that lack the control of such natural resources, mostly due to the specific product category that virgin potatoes belong to and the strategic implications made by Private Brands. Considering the above, duplication can bring cost disadvantages for firms not in possession of these natural resources. Though, virgin potatoes in Sweden are rather common goods and easy for competitors to acquire. However, the potatoes are from the Bjäre region, where farmer heritage and natural landscape is unique, the natural resources are therefore not duplicable. Regarding the question of organization, a physical asset with a long history of farmer's knowledge of agriculture and famous reputation, leads the natural resource to be classified as well organized. With this at hand, the conclusion for Private Brands' physical asset is that it creates a sustainable competitive advantage, due to the ability to complete the VRIO framework. (Barney 1996)

6.3.2 The intangible resources

Intangible resources are known for being firm specific and therefore often a source for sustainable competitive advantage. This includes among others, a company's human resources, skills, knowledge, brand and reputation. As a newly started company, competing on a foreign market, a goal is to create VRIO intangible resources,

although this is a very complex task. Private Brands' strategic implications are to strengthen and deploy their intangible resources, and view them as their biggest possibility to achieve success in China and other foreign markets.

6.3.2.1 Managerial human resources

When studying newly started entrepreneurial firms, managerial human resources are of great importance, but often a forgotten feature. The people behind the firm and his/her training, experience and intelligence as a founder and leader could be a crucial source to competitive advantage (Barney, 1996).

Olof Tranvik, the Chairman of Private Brands, has a history of turning both newly started and established organizations into profitable successes. The question is if his historical experiences are one of Private Brands' most qualitative resources. When concerning Olof Tranvik's managerial entrepreneurial knowledge, his well-established network with people in this industry, the question of the value for the Private Brands is obvious. When speaking of one individual, the rareness is natural. This in turn creates a temporary competitive advantage, and for it to be sustainable it has to answer to the question of imitability and organizational competence. The attempt to answer the question of imitability of an individual is hard to undertake. This because of the fact of small historical decisions taken by the person mentioned, and the social background that forms an individual, contributes to the difficulty in imitating the resource. Olof Tranvik, as an entrepreneur and manager, also needs to function and fully be exploited in Private Brands' organisation to be regarded as a source to a sustainable competitive advantage.

6.3.2.2 Skills and knowledge as human resources

The human resources of an organization consist among other things, of the skills and knowledge possessed by the people involved in the firm. An entrepreneurial newly started firm often lacks the possibility to employ and pay, several highly specialized people, to help the organization perform successfully. The entrepreneur is therefore essentially dependent on the skills and knowledge of the firm's few employees, to create uniqueness and a sustainable competitive advantage. Private Brands has

successfully succeeded to attach unique human resources to the company. Olof Tranvik has put his trust in several well-known, acknowledge recruits with a vodka related experience, reaching way back in history. Among others Börje Karlsson is one of the most renowned vodka distillers and has a history of working with Absolut vodka. This man is a great resource to the company and his skills and experiences answers to both the question of value and rareness. Considering that the process of distilling vodka requires highly specialized knowledge and practice, the resource possessed by Börje Karlsson. This creates a large cost disadvantage when trying to imitate and makes it almost impossible to copy. Together with the fact that his skills in distillation are thoroughly deployed by Private Brands, and that his name is presented on the product, concludes that the company also succeeded in the creation of a resource highly valuable, rare and costly to imitate.

6.3.2.3 Brand and reputation

An effective but difficult resource for every firm to sustain is an awareness of the brand and a good reputation. When competing with established firms the entrepreneur is reduced to brand strategies that are adjusted to newly started firm with less strong financial resource base. This firm has not yet created brand recognition nor brand knowledge and can therefore not consider this as an existing resource. Private Brands' biggest challenge is how to create leverage on its intrinsic, such as health, and how to communicate this to the future consumers, not damaging the company's image and brand knowledge. If the company succeeds with this faced challenge, Private Brands will create one of the most qualitative and sustainable competitive advantages.

6.4 Analysis of the Key Success Factors through Brand Strategy

As seen above a key matter in finding key success factors for strategic fit is through asking whom the products customers are, what their needs are and how they choose between offers. The empirical data gathered shows in many aspects that the Chinese

population will consume a large amount of premium products. There are 300,000 millionaires in China today that can afford premium products and according to Vencat in 2010 there will be 250 million people that will be able to afford premium luxury products. Therefore luxury branded products are and will be highly demanded. When looking at Karlsson's: an exclusive, expensive and vintage vodka of limited edition, we see that there is potential for Karlsson's aspects to match the market demand.

The product Karlsson's vodka is new born. It has not had a long *history*, although Private Brands have not invented a *story* of the product. Therefore the vodka rather holds a history: the farmers in Sweden wanting to do more than exclusive potatoes, resulting in that a contact was established with the well-renowned blender, Börje Karlsson, and this in turn leads to the creation of the world's first vintage new potato vodka.

6.4.1 Branding of Karlsson's through the Brand Triangle

The Brand Triangle helps Private Brands arrive at a decision of what they want Karlsson's to communicate and what it can give the Chinese consumer. Kapferer means the brand must be enacted by people from first contact, further to be embodied in the product and the places where it is found. This must also be communicated, distributed and activated by deeds and behaviours. (2004) To do this the Brand Triangle helps Private Brands examine what concepts they should communicate, what symbols should be used, and what the product itself should say.

6.4.1.1 Brand name and symbols

According to Kapferer it is important for the *brand name* to work internationally. In addition, Norvenius also stress the importance of having a Chinese name so that the Chinese can talk of it in the same way that the brand desire. Seeing to the Chinese culture, potatoes are associated with peasants, and therefore the middle and upper class might not appreciate the vodka since they might not relate to its main ingredient. Since *face* is important for those who order the bottles, they might not want to order something that others associate with peasants and that do not consent to their values.

6.4.1.2 The product in the Brand Triangle

Another aspect that Private Brands must think of is the design of the bottle. According to Connell the package design must consist of an image that shows status and wealth. The label of the Karlsson's bottle shows what year it is made, where it is made, of what sort of potato that it is made of and what number of the bottle that has been produced. Norvenius means that the Chinese accepts Chivas Regal because of that the package and label "talk" to them. The large black label communicates status, authority and value, which the Chinese can associate with *face*. This is something that speaks against Karlsson's with it having quite a clean and pure label, though using the colours red and gold that speak of status and wealth in China, Karlsson's can communicate such values. *Face* can be kept through the fact that these colours say so much in Chinese culture that they speak for themselves.

The *product* itself is quite expensive to produce since Private Brands does not have their own production plant, and the distilling process itself is costly. To ship the vodka to other countries is also pricy, and because of the pure and natural ingredients used in the vodka Private Brands means that the production process leads to the high price of the vodka. In defence, the high price speaks for the product in a country as China where "the higher the price the better" way of thinking is seen especially in the middle and upper classes. In urban China today, bottles are sold at much higher prices at the bars than any other place in the world, since the importance of having *face* to others, and thereby showing that you can afford to buy a pricy, exclusive spirit is seen as keeping this façade.

6.4.1.3 Brand concept

The *brand concept* in the Brand Triangle questions of how the product should be identified and where it can be found. Private Brands especially want to emphasize the usage of the vodka to consumers so that the vodka is drunk in a tasty way. They also wish to communicate the ingredients and uniqueness, the users and the people behind the vodka.

According to Kapferer's Brand Building, Private Brands must decide whether it is through their intangible or tangible added values that they want their brand to be built upon. Nearly all spirits brands today use the intangible added values as brand building though Private Brands believe that the vodkas of tomorrow will have a larger focus on the tangibles of the brand, the intrinsic, such as the ingredients, the process of which it is made etc. Here they seek to differentiate themselves to competitors, but the question is if the immature spirits market in China is ready for another way of branding spirits.

The Chinese international spirit market is today very price- and exclusiveness oriented and Private Brands' strategy consisting of promoting the tangible assets of the product is a new marketing strategy for this market. Another aspect concerning how the Chinese consumer is today is that they are quite product oriented. Though, they are predicted to be one of the worlds most brand conscious people, and further want the brand to communicate Chinese values. Therefore matching the right Chinese values with the brand image is essential.

The blender being an elder, wise, renowned man, and the people working for the company are persons that have been in the business for a long time. Further it should be communicated that they have a good reputation of their skills, say a lot for the fact that the Chinese appreciate the value of elders' wisdom and knowledge. Chinese middle and upper class consumers are more sophisticated and brand conscious today than ten years ago, and this is predicted to rise even more. Karlsson's is pure, clean and natural vodka. Though these aspects are not appreciated in Chinese society today, but, since many of the trends that arise in western society come to China this is something that may appear in the future as well. For Private Brands to have a first mover advantage over such a matter in a large and dynamic market as China is a great benefit for them.

Since it is essential for the vodka to be embodied in the places it is found, we come to the important issue of distributors in China, and making sure that Karlsson's is found at bars and restaurants that they can stand for. Private Brands is an entrepreneurial firm that does not have possibility to send personnel to China and talk to potential

sellers of Karlsson's, neither does Private Brands have the possibility of maintaining relationships (guanxi) with all bars etc, something essential in Chinese business society. Therefore having a distributor or agent that takes care of contacting the bars, nightclubs, restaurants and stores that talks of Karlsson's usage, process and brand is essential. Further to correspond to the people that serve and work with the product so that they can communicate to the final customer and consumer. The question for Karlsson's is to find the right people to work with, which understand the product and are prepared to work together with the company to communicate the uniqueness of the product, essential when entering a foreign market according to Johansson et al.

6.5 Analysis of the Key Success Factors through Foreign Market Entry Strategy

The following analysis is to identify the key success factors in China, when analysing how an entrepreneurial firm can survive competition. This is done through the network view of foreign market entry, of how the firm should orientate, position and time its entrance.

6.5.1 Orientation

The critical issues that Axelsson et al claims are of great importance when entering a foreign market, is orientation, positioning and timing. The *orientation* process, where a company tries to get an understanding of where different firms stand in relation to each other, is crucial when trying to locate your potential competitors in the market.

In Private Brands' case, wanting to enter the Chinese market, the locating process of your competitors is hard to carry out. This since Private Brands' product, Karlsson's, is hard to define what category the product shall be a part of. As stated by Private Brands, Karlsson's is supposed to be consumed as an after-dinner drink. Due to this, Karlsson's doesn't compete in the ordinary vodka category, where vodka is used more as a drink base, mixed with other beverages. Karlsson's main competitors may instead be cognac and whiskey products. Though, teaching the Chinese consumer that this

vodka shall be drunk as an after-dinner drink, demands a lot of marketing power to create such knowledge. Furthermore Remy Martin and Chivas Regal are the largest cognac and whiskey brands in the Chinese market at the moment, which both were well-known, exclusive brands, in the rest of the world before entering China. The brand awareness of these already well-established brands has made it easier for them to conquer the Chinese market. Another important factor were the efficient marketing campaigns, which in Chivas Regal's case became a huge success in the whole of China. The question for Karlsson's is whether these competitors can be seen as true competitors, since Private Brands is an entrepreneurial company with no brand recognition nor history.

6.5.2 Positioning

The next stated critical issue by Axelsson et al, when entering a foreign market, is the importance of *positioning*. This to find the company's position in the network they want to work in. Johansson et al. further claim that to enter a network from outside requires the other actors' engagement in receiving your company in interaction. This process is something that is resource demanding, takes time, and requires that firms adapt themselves in the way of making business to the country they want to enter.

In Private Brands' case, desiring to enter the Chinese market the positioning process will be of great importance. Since the Chinese business climate is complex, with the governmental regulations of setting up foreign business, the process of establishing a network in China will be of considerable importance when entering the market. In addition, all the people interviewed claim that the process of relationship building is of major significance in China and these relations need to be under constant support and maintenance. The business life is permeated with the *guanxi* way of thinking, which calls for Private Brands to create its own personal network for the establishing process. This creation process for entrepreneurial firms is something that can differ from larger firms wanting to enter the Chinese market. While the more established firms have the advantage of an already existing network, brand knowledge and strong financial position, an entrepreneur company needs to start from scratch and building all these things.

According to Björkstén in Fang 2005, for a foreign company to create a network in China requires a person who can open the door to the network. This can, in Private Brands' situation, be a local distributor that already has the necessary connections when launching a product in the Chinese market. In choosing a local distributor Private Brands would spare the time it would take creating their own network as well as spare the resources that they otherwise had had to use creating a sustainable network.

6.5.3 Timing

The third crucial aspect stated by Axelsson et al. (1993) when entering a foreign market is the *timing*. They states that timing cannot be planned; it is a matter of recognizing opportunities when they show up and being capable to act quickly. For Private Brand's choice of entering the Chinese market, the timing aspect is hard to define. According to Garner (2005), Chinese consumption statistics show that China will be a huge market for premium luxury goods. Vencat further states that in 2010 there will be 250 million people in China affording luxury goods. This combined with an ageing population, that will demand products oriented towards their age segment, like spirits, provides an excellent market for foreign spirit brands. These facts indicate a great opportunity for entering the Chinese market today with a premium product like Karlsson's.

A strategic conclusion for Karlsson's entrance in the Chinese market is to choose a specific target group, communicate the product to create brand awareness, and then wait for the increasing future volume sales. In such a case, the timing seems right. But despite the favorable conditions, such as timing, there are also facts that speak against launching new spirits brands in China. According to Jamie Connell (2006-05-06) for the moment the Chinese population is almost indifferent to alcohol beverage branding. The process to create brand awareness will in this case include a lot of marketing. This in return requires a lot of financial resources, which an established firm might have, but maybe not a entrepreneurial firm. The timing for Private Brands

launching of Karlsson's may in this case not be right for the whole market of China. The timing may only be right to launch the product in major cities of China.

6.6 Achieving Strategic Fit

To achieve strategic fit for the Chinese market, Private Brands needs to link the firm's external environment, through key success factors, with its strategy. When this is accomplished leverage can be attained. For Private Brands to reach their goal of entering and being profitable on the Chinese market we have come to the realization that the company must be able to adapt themselves to the powerful cultural and business environment in China.

6.6.1 Key Success Factors on the Chinese market

For Private Brands to know how to adapt to their target market, they must ascertain key success factors in China. Through our previous analysis we have seen the importance of valuing the Chinese consumers historical and cultural background. The importance of having a Chinese name, packaging that communicates important values of the consumers *face*, and a product that symbols wealth and power are essential for entering the Chinese market. Branding building through adapting to these features is a key success factor crucial for long-term growth.

Close relationships, *guanxi*, in the Chinese business climate are fundamental according to Fang (2005). In our analysis the significance of having well-established and interdependent contact with players in control of customer relations has been discussed. In the case of Private Brands, being an entrepreneurial firm implies that they, today, do not have the resources to handle customers relations in China. A critical issue for them is having distributors that already are in possession of and maintains such relationships. Through them, Private Brands will be able to communicate and distribute their product in an effective way, and maintain a close relationship. Therefore the issue of holding a superior distributor is identified as a key success factor in China.

Timing is always an important issue when launching a new product, and in our analysis we have seen that the Chinese market may or may not be ready for a branded premium product. To succeed on a foreign market, timing is seen as a key success factor that is relatively hard to predict. Though we believe that the timing is right for Private Brands' entrance on the Chinese market due to increasing wealth of the population, a high demand of luxury goods that represent status, and a growing brand awareness.

6.6.2 Private Brands Resources and Capabilities

Through our analysis of Private Brands' resources we have aimed to find the resources needed to achieve a sustainable competitive advantage. Through our research, we believe that Private Brands posses several resources that result in this achievement. Their physical resource, from where the potato is harvested, the managerial human resources – Olof Tranvik, and the skills and knowledge within the organization are the resources that, according to us, create the capabilities of tomorrow.

6.6.3 The Perfect Match?

The question is if strategic fit can be achieved between the key success factors on the Chinese market and the resources and capabilities within Private Brands. For that reason we believe that Olof Tranvik's previous experience and knowledge of the Chinese market, and his managerial skills of responding to new data, matches the ability to adapt to the market's values and historical importance. To be able to achieve strategic fit, matching the key success factor of having a superior distributor, leads us further into Tranvik's managerial excellence. Being knowledgeable to understand that the entrepreneurial firm cannot manage to handle the large and important issue of all business relations in China, Tranvik has acted accordingly with the company's capabilities.

Furthermore, the importance of adapting through brand building is crucial for strategic fit. In China communicating right values is important, which requires that

the resources Private Brands possess must be matched. An essential issue is that the unique natural resource Private Brands has, combined with their skills and knowledge, may give them leverage when communicating their brand. Additionally, to make sure that the brand is built upon their tangible added values and not only intangibles, since other spirits brands have previously built their brands through merely intangibles, instead the products', and the people behind the company's history should be enhanced.

Chapter 7

Conclusions

We will in this chapter present our conclusions of our purpose and suggest issues for future research.

The purpose of this thesis is to identify and analyse the key success factors for an entrepreneurial firm to achieve leverage when establishing on a foreign market with a premium consumer product. If other entrepreneurial companies can benefit from our conducted research, is something we obviously aspire.

We see that there are several critical factors for entrepreneurs with premium consumer products, who strive to enter a foreign market. An essential part of this is the process of identifying the key success factors for the targeted market. Through Brand Strategy theories we have answered the question of what consumers want on the targeted market. The answer, for entrepreneurs, is an adaptation on the foreign markets business and social culture because they do not have the ability to change or influence the targeted market. Communicating the firm's values in accordance with those of the market is also a key success factor and the basis of branding.

Finding the right distributors is fundamental and an identified key success factor for entrepreneurs. This given that they do not have the possibility to cover total knowledge of the market, nor do they have the resources to maintain all relationships required. Distributors are also able to communicate the firm's brand message to others than the final consumer.

An entrepreneurial firm is characterised of its exceptional company structure, with risk taking, profit growth and non-bureaucratic organization. These resources and

capabilities should be the basis of their strategy. The uniqueness of the entrepreneurs' product is an essential resource for the company. The firm must deploy and develop this resource so that it creates a long-term capability leading to a sustainable competitive advantage, which is the essence of strategy. Other unique resources entrepreneurs have are there non-bureaucratic and fast decision making organizations. This is shown both in the firm's managerial human resources and in their skills and knowledge. Here the firm has the advantage of possessing the human resource of entrepreneurial character. When this is properly organized it will lead to a sustainable competitive advantage when entering a foreign market.

To achieve leverage, when entering a foreign market, an entrepreneurial firm needs to regard all aspects mentioned above. When attained to, strategic fit is accomplished with leverage as an unbeatable effect.

Final Thoughts

When reading the conclusions above, our reader needs to regard the circumstances under which this study has been conducted. Our conclusions have been influenced by the chosen theory and empirical data, and this needs to be regarded when reflecting on our thesis.

Suggestions for further research

The authors would value an outcome from similar studies within entrepreneurs entering foreign markets. Results from research regarding other industries, countries and products would facilitate a comparison concerning if our conclusions are valid and reliable. Through this it would also be interesting to see if our results can be generalized and compared with other research.

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8.2 Electronic resources

www.bjarehembygd.se

www.karlssonsnewvodka.se

www.privatebrands.se

8.3 Interviews

Mathieu Brauer, bar manager of a fashionable high-end club, Bar Rouge, born in France, lived in Shanghai for two years. Interview conducted 2006-05-10 at Bar Rouge.

Jamie Connell, bar manager at high-end bar Barbarossa lounge, born in Great Britain, and lived in Shanghai for two years. Interview conducted 2006-05-06 at Barbarossa lounge.

Sunny Feridun, bar owner of high-end bar Studio 78, born in Great Britain, and lived in Shanghai for ten years. Interview conducted 2006-05-08 at Studio 78.

Per Karlsson, management consultant in Shanghai. Employed at Seagrams 1992-1999 and was involved with the launch of Chivas Regal and Absolut Vodka in China. Interview conducted at Starbucks, Ritz Carlton, Shanghai 2006-05-07.

Axel Nordegren, Swedish Trade Council, market consultant for Swedish companies planning an establishment in China, lived in Shanghai for three years. Interview conducted 2006-05-10 at Swedish Trades office in Shanghai.

Mats Norvenius, doctor in historical geography at the University of Stockholm specialized in Asian studies with focus on China. Born in Sweden, lived in Shanghai for two years. Interview conducted at Peace Hotel 2006-05-09.

Olof Tranvik, Chairman of the board of Private Brands. Interview conducted at restaurant Cuckoo 2006-02-17, where he also held a company presentation of Private Brands and Bjäre Hembygd.

8.4 Inspirational research

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Appendix 1



Picture 1 Potatoes from Bjäre Hembygd that Karlsson's is made of.



Picture 2 Karlsson's New Vodka, the Gift pack



Picture 3 Karlsson's New Vodka's bottle

Appendix 2

Questions asked to interviewees

- How has China's development influenced China and the way you do business today?
- How do you see the Chinese alcohol consumption?
- What are their preferences, and are there principles that can help a product be valued higher?
- What importance do distribution channels have?
- How do you work with new products? (To bar managers only)
- How can premium products be marketed best in China?