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MARKET ENTRY STRATEGY TO ESTONIA

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ABSTRACT

Despite the current unstable economic situation around the world, there are growth opportunities for certain fields such as for boating industry. The objective of this research was to clarify how a Finnish based service business focusing on providing winter storage for yachts should expand their business due to increasing demand. Furthermore, relevant market entry strategies were examined as the aim was to show a clear picture of how small domestic firm can enter the new international market. In the theoretical framework, especially the Uppsala model, network approach and resource-based view play a key role in addition to other supportive concepts related to internationalization. The primary emphasis in the literature review was given for SMEs and for service businesses.

The aim is to seek answer to question "How the case company shall perform its market entry to Estonian market?". To this end, the research was carried out as a qualitative case study research, and the primary data in this research was collected during April 2021 using semi-structured one-to-one interviews. Company representative and both current and potential customers of the case company participated in the interview to add depth to the data collection.

Findings indicate that there is indeed potential in the Estonian market for a similar boat hotel concept. This internationalization is affected by knowledge, commitment and risk features and therefore it is best explained using the revised Uppsala internationalization model. Partnering with local operator and gradually increasing resource commitment while gaining market knowledge is recommended. The research offers new academical findings on market entry for boat storages and developing competitiveness in pleasure boating sector.

TIIVISTELMÄ

Maailman epävakaasta taloustilanteesta huolimatta tietyillä toimialoilla, kuten veneilyalalla, on kasvumahdollisuuksia. Tämän tutkielman tavoitteena oli tutkia, miten veneiden talvisäilytykseen keskittyvä suomalainen palveluyritys voisi laajentaa liiketoimintaansa kasvavan kysynnän vuoksi. Tutkielma pyrki luomaan selkeän kuvan siitä, kuinka pieni kotimainen yritys voi laajentaa toimintaansa kansainvälisille markkinoille. Näin ollen tutkimuksen kohteena olivat myös erilaiset markkinoilletulostrategiat. Työn teoreettinen viitekehys keskittyy Uppsala-malliin, verkostomalliin, sekä resurssipohjaiseen näkökulmaan ottaen kuitenkin huomioon myös muut kansainvälistymiseen liittyvät konseptit. Kirjallisuuskatsauksessa painotettiin ensisijaisesti pk-yrityksiä ja palvelunäkökulmaa.

Tutkimuksen tavoitteena oli löytää vastaus kysymykseen "Kuinka case-yrityksen tulisi toteuttaa Viroon laajentuminen?". Tutkielma toteutettiin laadullisena tapaustutkimuksena. Ensisijainen tutkimusaineisto kerättiin huhtikuun 2021 aikana puolistrukturoitujen yksilöhaastattelujen avulla, jotka toteutettiin case-yrityksen edustajan sekä nykyisten ja potentiaalisten venehallin asiakkaiden kanssa.

Työn tulokset osoittavat, että Viron markkinoilla on potentiaalia vastaavalle venehotellikonseptille. Tähän kansainvälistymiseen vaikuttavina tekijöinä tunnistettiin tieto, sitoutuminen ja riskitekijät ja tästä syystä uusitun Uppsala-kansainvälistymismallin hyödyntäminen sopisi yritykselle parhaiten. Tutkielman tuloksiin pohjautuen voidaan todeta, että kumppanuus paikallisen toimijan kanssa sekä resurssien asteittainen lisääminen markkinatiedon hankkimisen yhteydessä olisi suositeltavaa. Tutkimus tarjoaa uudenlaisia akateemisia tuloksia markkinoilletulostrategioihin ja kilpailukyvyn kehittämiseen erityisesti huviveneilyalalla.

ACKNOWLEDGEMENTS

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LIST OF ABBREVIATIONS

CEO – Chief Executive Officer

FDI – Foreign direct investment

GDP – Gross domestic product

MNC – Multinational corporation

OLI – An eclectic paradigm (ownership, location, internationalization)

RBV – Resource-based view

SME – Small and medium-sized enterprises

TCT – Transaction cost theory

1 INTRODUCTION

The first chapter of this research provides short summary of the research by containing the introduction of the topic. This way the reader can relate the case better. Furthermore, the aim of the thesis is provided and research questions to contribute the aim. Preliminary literature review and theoretical framework are introduced as these work the basis of the research. Finally, definitions and delimitations, research methodology and structure of the thesis are presented.

1.1 Background

According to Amatulli, Nataraajan, Capestro, Carvignese and Guido (2017), pleasure boating sector is seen among the rapidly growing sectors of marine tourism and therefore also showing high competence to build wealth and employment. "Most of the integrated companies in the pleasure boating sector typically offer their customers the winter storage services that are connected to refit services and the tuning of the boat for the summer season" noted Amatulli et al. (2017). This, in other words, means more demand for winter storage for boats since it is considered to be one of the fastest-growing industries. During the 2020 summer, there was a sudden increase in local boating industry in Finland as well, which goes in line with travel restrictions. People especially in Finland started to appreciate more of the things that are available here such as lakes and boating. This is a real life example for the case company too. The case company SYS was founded in 2011 in Savonlinna and it provides seasonal storage for large yachts in a modern boat hotel. The company is engaged therefore in docking, winter storage, maintenance, repair and installation. The company is experiencing more demand than they are able to offer, which made them think of expanding the business. The storage space is 2500 square meters and it is mainly filled with 30 to 60-feet yachts. During the 2019/2020 season, SYS was able to offer space for 60 yachts, but the demand was beyond that. Therefore, this is the first scenario-based attempt from the company to think of expanding the business.

According to Kankare (2019), the number of boats has increased a lot in Finland during recent years and Finland is among the countries with the most boats per capita. The number of motorboats in Finland was around 560 000 in 2019 (Kankare 2019). Naturally, as the popularity

of boating grows and the number of boats increases, so does the need for storage space. Even though there would be demand for another boat storage in lake Saimaa area, it is considered to be more rational to expand over national borders. There is potential for expansion especially in Estonia since many of the current customers are located in Russia and potential customers are located in the Helsinki Metropolitan area. Moreover, Estonia is considered as a targeted region due to its growing economy. Reason why Helsinki Metropolitan area is not considered as a good option is due to existing boat storages and high expenses. Moreover, SYS faced a challenge during the 2020 summer since the COVID-19 situation closed the borders between Russia and Finland and customers were not able to pass the border anymore. Taking into account similar situations in the future, it is better and more reasonable to expand where the demand and accessibility are higher.

There are many companies in Finland looking for opportunities from the neighboring countries and therefore the importance and relevance of this research is to add knowledge regarding Estonian market and help companies choose the right entry strategy in such an era of economic uncertainty. Also, the COVID-19 has forced companies to look for safer and less riskier options to expand the business and therefore research regarding neighboring countries is considered as relevant. Similarly, Ratten (2020) states, that one shall bear in mind the security and safety when conducting business during the pandemic. As companies always struggle finding the right way to expand and internationalize and especially during times like these companies need even more research and consideration regarding the decision. Therefore, the clearest motivation and significance of this research for the research in the field is adding knowledge and understanding regarding different entry strategies for boating industry and helping the industries recognize opportunities. Moreover, this research benefits other similar companies in the future seeking to internationalize their operations to neighboring countries and it brings up some fresh ideas about Estonian potential market.

1.2 Research questions

The main objective of this thesis is to develop a strategy plan for internationalization for SYS and make research on market entry and its strategies in its new market Estonia. Moreover, the goal is to show a clear picture of how small domestic service firm can enter the new international market.

Considering the above, three research questions are formulated to support the aim of the research. Two of the questions are subquestions which answers will support answering the third and the main research question. Subquestions are formulated as follows:

1. *What is the role of external factors in the choice of entry mode?*
2. *What is the role if internal factors in the choice of entry mode?*

The aim of the *first research question* is to understand the external factors, which means describing the host country's situation, current business opportunities and barriers in Estonian market as they affect the entry mode choice. To find answers to this question, Estonian business environment and the whole market is examined. The purpose of the *second research question* is to understand the company's internal resources and competencies as they also have an influence on the entry mode choice. To find answers to this question, company representative participates the interview and provides details on these factors. Moreover, interviews with current customers provide significant contributions for this question too.

3. *How SYS shall perform its market entry to Estonian market?*

The *third research question* represents the main research question which objective is therefore to develop a framework for most suitable and effective market entry to Estonia to support the expansion goals. All factors related to the company expansion are presented and analyzed. Gaining knowledge on customer experiences and expectations is important as it helps the service to match the customer needs and therefore the entry mode choice is supported by interviewing the current and potential customers. Furthermore, interviews provide beneficial data on differentiating the service and to creation of competitive advantage in the new market. Based on the findings of this question and the support of the first two questions, the service firm should be more capable performing its market entry to Estonia.

1.3 Preliminary literature review

The purpose of this section is to have an overview regarding the existing literature and engage the reader with it. As the key concepts in this research are the SME services, cross-border internationalization and the foreign market entry modes, this section is divided based on them. At the end of the section, a figure (1) presents the most important literature that contributes the aim of the research.

1.3.1 Cross-border internationalization for SME services

Internationalization is defined as firm's tendency to strengthen its international business activities systematically. International business used to have a focus on larger enterprises, but past developments have enabled also the SMEs to benefit from this concept. (Cavusgil, Knight & Riesenberger 2020, 38) Similar research has done Dabić, Maley, Dana, Novak, Pellegrini and Caputo (2020) as they note that scholars are increasingly interested in SME internationalization. What comes to service sector, it has also been considered more domestic based, but during recent years the role has changed towards more international which is due to industry growth and increasing level of knowledge (Toivonen, Patala, Lith, Tuominen & Smedlund 2009, 1-2).

According to Cuervo-Cazurra, Narula and Un (2016) there shall be a comprehension concerning the logic of selecting the specific operations in foreign markets, the target country to conduct business as well as motives for the expansion. It is considered as essential part as this comprehension gives valuable insight when evaluating the success of internationalization. (Cuervo-Cazurra et al. 2016). In similar previous literature, also Vilpponen (2014), Ye (2016) and Puuri (2017) have written about the factors and motives regarding the market entry and therefore these are considered as an important theme. Factors that affect the cross-border internationalization can be divided to internal and external factors. Internal factors refer to everything happening inside the company whereas external factors include features such as economic and cultural environment, government regulations, technology and overall the market in the host country. (Stryjakiewicz & Tölle, 2009) Common strengths that are associated with companies expanding to foreign markets are for example international experience, ability to provide necessary resources and strong financial background (Isa, Ismail & Ibrahim 2020). Therefore, these strengths are examined in the literature review in order to analyze whether the

case study shares similar features or not. This will help the strategical development towards expansion.

1.3.2 Foreign market entry strategies

Researchers seem to be increasingly interested in internationalization process especially aimed at service firms (Blomstermo, Sharma & Sallis 2006), however there is still limited progress regarding entry strategies for boat storages. The biggest debates for service firms are related to the question to buy, rent or to build. There is variety of different entry modes for service firms such as licensing, exports, joint ventures or simply creating a subsidiary abroad. (Blomstermo et al. 2006) Bearing in mind that this case study is about a service firm, modes such as joint venture, acquisitions or wholly owned subsidiary would be considered as foreign entry strategies. These foreign market entry modes will work as a supportive literature in this research and will be taken into account in more detail. As entry to new market and competition also go hand in hand, competitive strategies are relevant for this research since the aim is to achieve and maintain a dominant position in the new market. For this reason, Amatulli et al.'s (2017) article provides invaluable data on how to gain a competitive advantage in pleasure boating sector.

The following figure (1) summarizes the main themes of the literature review and authors whose articles provide most significant contributions to these themes.
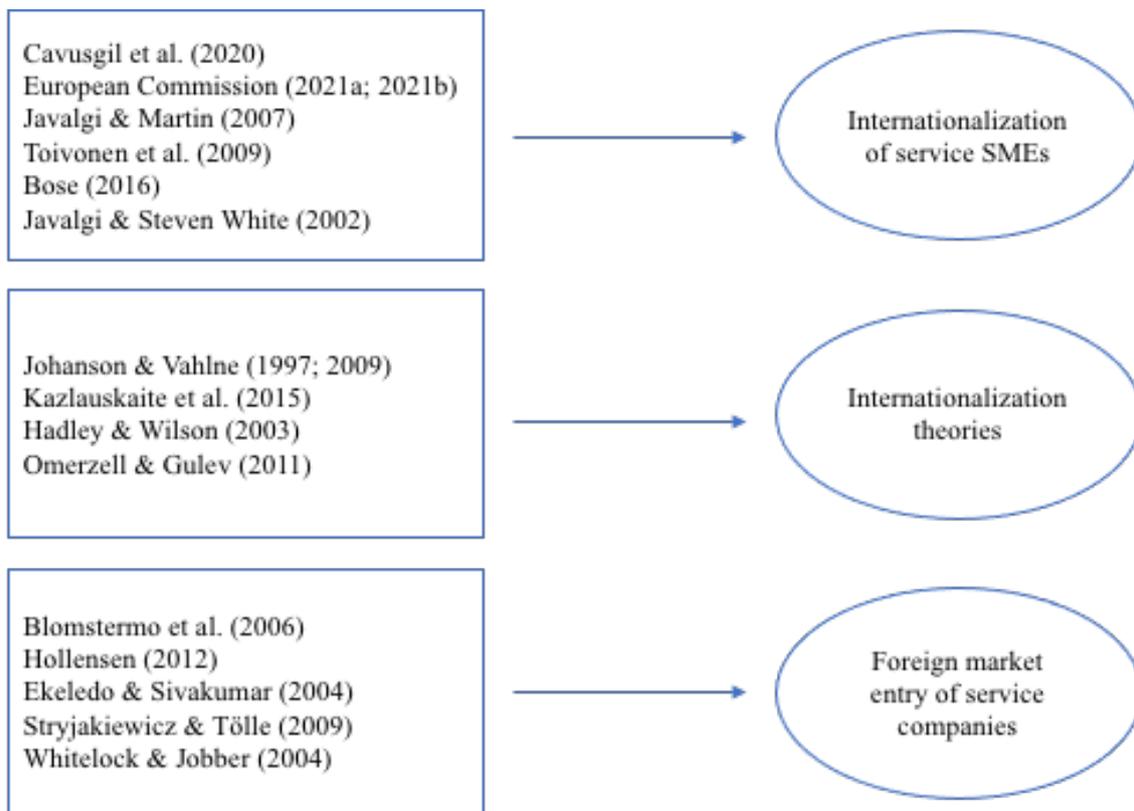
Figure 1. Main contributions to literature review

1.4 Theoretical framework

The objective of this section is to summarize the theoretical framework used in this research so that the reader understands the main supporting theories. As the main purpose of the research is to define how SYS should enter the Estonian market, this research concentrates on internationalization theories from the boating industry perspective. There are three theories that best support the aim of this thesis; the Uppsala model, network approach and resource-based view.

In 1977, Johanson and Vahlne (1977) studied Swedish firms at the University of Uppsala and based on their studies, they developed the Uppsala Internationalization Model which attempts to explain the slow and incremental foreign expansion process of companies. Moreover, this model aims at increasing long-term profit, keeping the risk-taking at low level. Gradual acquisition, integration and use of knowledge about international markets as well as operations and rising commitments to markets overseas are having the central focus in this model

(Johanson & Vahlne 1977). However, many researchers argue that no firm cannot expand its operations alone, but there needs to be connections and networking in order to build a good platform for internationalization. According to Mathews (2006), internationalization "is the multiple connections of the global economy which draw firms into involvement across national borders, through contracting, licensing or other transaction relationships". The third theory, RBV, is also related to network approach. When internationalizing, the firm shall use resources and in case there is a lack of either intangible or tangible resources, it shall first acquire them in order to cross borders successfully. (Kazlauskaite, Autio, Gelbuda & Sarapovas 2015)

Besides these internationalization theories, there are other supportive theories related to the topic and moreover an analysis of Estonian market is studied to illustrate the current situation of the market. To sum up the theoretical framework, the following figure (2) represents the theoretical focus of this thesis which inspiration roots from previous literature.
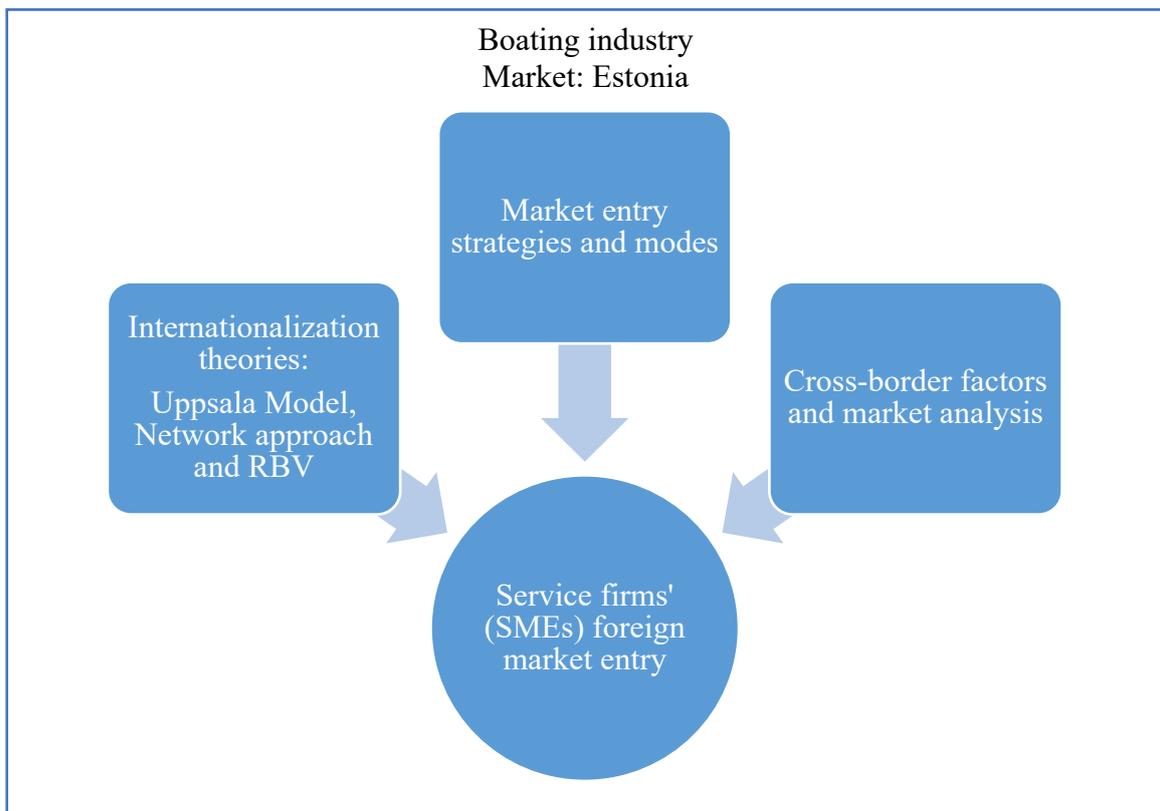
Figure 2. Theoretical framework

1.5 Definitions and delimitations

To start with the definition of boat winter storage, it means, in this case, an indoor, dry and heated storage space, where the boats are located after lifting them from the water areas. After the lifting, the boat is placed to a trailer and then transported to the storage space. The boat is then stored the winter season, usually starting from September to May in the storage. This company is a small, family-owned business and therefore belongs to the category of SMEs. SMEs are defined as small and medium sized companies, which employ fewer than 250 people and the annual turnover shall not exceed 50 million euros (Tilastokeskus 2021).

What comes to the delimitations, the present findings of this thesis do have some limitations for which the future research may compensate. Only one target-country analysis is conducted due to the fact that the case company representative stated Estonia to be the most interesting host country. This means that the market is different from others in terms of policies and competition and is therefore not generalizable. Moreover, the research is aimed at for one specific company and field of industry and therefore there may be some industry limitations and limitations regarding the size of the company. However, limiting the research on SMEs enables deeper look at the topic but similarly poses limits to future research. Survey regarding the demand is not conducted as it is not the objective of the study and therefore left out, meaning that demand forecasts are not significant. Further research may verify more statistically significant results regarding the demand.

1.6 Research methodology

To seek answers to research questions, the internationalization theories will be analyzed, and other sources related to the topic from media and Internet publications. As the research strategy is a case study and the purpose is to collect up-to-date evidence to contemporary real-life phenomenon, the most suitable method to conduct the study is qualitative research. Therefore, this research is carried out as qualitative single case study, supported by secondary data. The empirics of the research are based on semi-structured interviews as the aim is to measure the incidence of various views and opinions in a chosen sample ensuring broad and diverse answers. This is the most suitable data collection tool for this research because the interviews allow to get personal facts and opinions from smaller sample. The data analysis method is

thematic analysis and therefore the purpose is not to formulate structured questions, but instead formulate them around the themes that contribute to the aim of the study. Thematic analysis is especially beneficial for such a topic when the problem is lack of knowledge. To solve the issue of not knowing enough of the winter boat storage expansion, interviews are needed to provide information regarding the creation of competitive advantage, expectations, demand and market insights. Moreover, the interviews provide supportive data for research questions and they contribute to the challenges that the theoretical framework cannot explain. Meaning that interviews provide data for the expansion in general taking into account the client's wishes and thus enabling successful expansion.

The company representative, current customers of the case company as well as potential customers participated the interview. The two groups of customers are selected since they represent different viewpoints. Current customers play a key role in creation of the competitive advantage in the new market whereas potential customers provide invaluable knowledge on expectations towards the new boat hotel concept. In summary, the empirical part of the study thus consists of the interviews and the aim is to see which conclusions can be drawn. The following figure (3) represents the empirical data collection process.
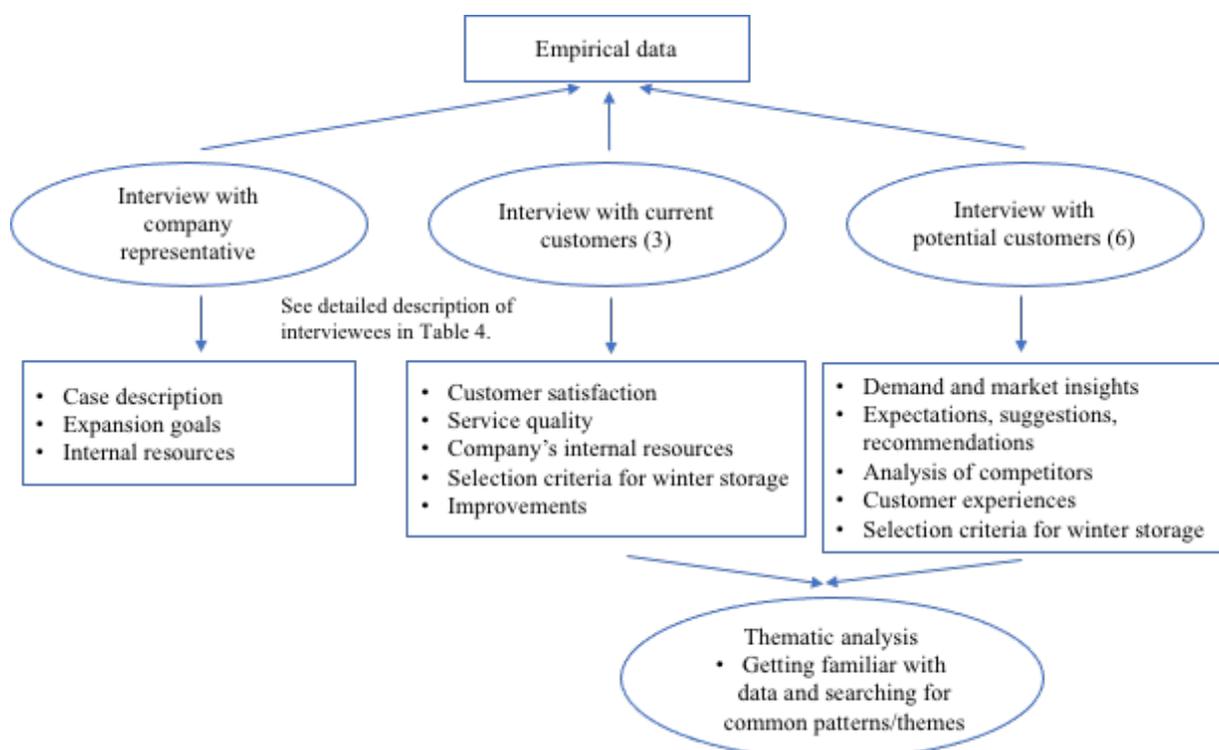
Figure 3. Summary of empirical data collection

1.7 Structure of the study

Figure 4. Structure of the study

The thesis is split into seven different chapters (introduction, literature review, research design and methodology, case company and Estonian market, findings, discussion and conclusions) in order to keep the thesis well structured. The study is organized as follows. The first section, introduction, offers background information of the research by outlining the rationality for this specific research, also including research question, preliminary literature review, theoretical framework, definitions and delimitations as well as introduction of research methodology. The aim of this section is to provide the reader with the main purpose of the study and its framework in order to identify the significance of the research.

Second section of this paper forms the theory part of this research and reviews the relevant literature regarding the topic by diving deeper into the topic covering the key concepts. Internationalization theories are presented and besides them other market entry strategies and modes are presented from SME service perspective to support the theories. In addition, special factors that affect the choice of entry are taken into account as well as the cross-border perspective.

In the third section the research design and methodology are described. Primary data is collected through interviews, so this data collection method is introduced and analyzed. Fourth chapter then introduces the case company and the target market thus the empirical part of the research starts. Primary and secondary data are used in this part in order to build an overview of the Estonian market.

Fifth part of this research shows the findings from the interviews whereas sixth chapter aims at forming solution for the market entry. Answers to research questions are presented and the findings are discussed in the light of literature. Finally, the market entry strategy is formed. Conclusion is the final chapter, where findings are summarized, theoretical and practical implications provided and lastly limitations and future research is addressed.

2 LITERATURE REVIEW

The main objective of this literature review is to provide an overall understanding of the foreign market entry and keep the focus specifically on service industry. All theories that support the aim of this thesis will be introduced. This chapter is divided into three large categories. First section presents the internationalization of the service SMEs. Second section explains the relevant internationalization theories that support the company expansion. Foreign market entry of service firms is presented in the third section. This section is divided to subcategories which explains the applicable market entry modes, factors that influence the choice of market entry, cross-border factors and finally the boating industry perspective.

2.1 Internationalization of service SMEs

Cambridge dictionary (2021) defines service as "a government system or private organization that is responsible for a particular type of activity, or for providing a particular thing that people need" and Cavusgil et al. (2020, 38) state that internationalization is the firm's tendency to strengthen their international business operations systematically and due to globalization, the internationalization has evolved towards an easier process. When looking at the history of international business, it used to focus on larger enterprises, but recent developments allow all types of companies, especially the smaller ones, to benefit from the active participation in international business as well (Cavusgil et al. 2020, 38). According to European Commission (2021a), 99% of all business in the EU are represented by SMEs and therefore considered as the backbone of Europe's economy. More than half of Europe's GDP is accounted by SMEs (European Commission 2021a) and according to Dabić et al. (2020) there is increasing research interest of internationalization of SMEs. Small and medium-sized companies play a vital role of the economy and helping SMEs to enter the third markets is critical when thinking the Europe's economic growth, innovation and competitiveness (European Commission 2021b).

To specify the nature of services, Kotler and Keller (2019, 424) state that there are four factors that differentiate services from manufacturing industry, and these are intangibility, inseparability, variability and perishability. Intangibility points to the fact that services are not physical products and there is always the risk of not knowing the end result and to reduce this uncertainty, the consumers try to search some evidence about the quality of the service.

Inseparability naturally means that the services cannot be separated from their providers and therefore poses a necessity to have a local presence in all of the markets that the service has operations. This, however, increases the costs but on the other hand it also increases the responsiveness for customer demand. Variability means varying services due to differing service providers and perishability means the inability to store the service for later use and therefore perishability is also in relation to demand and supply fluctuations. (Kotler & Keller 2019, 424-426) While services have these unique features, there are also unique challenges that are usually highlighted in international operations (Javalgi & Martin 2007). Moreover, Hofer and Baba (2018) state that due to intangible nature of service firms, the expansion process is more demanding than it is for manufacturing firms.

What comes to the internationalization of a company itself, it is identified as a complicated process which requires research and reasoning regarding the foreign market entry. Big risks and difficulties are part of this strategic process and therefore the drivers of internationalization must be clearly presented, and valid reasons must be considered. (Grünig & Morschett 2011, 27) The challenges and barriers that SMEs face when they aim at internationalizing are usually in relation to their limited resources and lack of tangible resources (Hofer & Baba 2018; Suh, Bae & Kundu 2008), lack of knowledge (Suh et al. 2008), conflicts in network, lack of expertise, uncertainties and profitable home market (Yener, Doğruoğlu & Ergun 2014). Grünig and Morschett (2011, 27) state that the internationalization process is so complex that the full theory of the act of becoming international has not been presented and probably will never be described in one coherent way. Despite of this there are many individual perspectives and with the help of them internationalization may be explained. (Grünig &Morschett 2011, 27)

Bose (2016), for example, explains the internationalization of SMEs through a three-phase model which shows some critical factors that shall be followed to perform it successfully. The first phase of the model suggests that SME owners should utilize their existing experiences in order to draw future decisions regarding internationalization. Both benefits and barriers should be evaluated when making the decision. Next phase of the model then suggests developing appropriate competencies which means that SMEs shall be innovative, be supported by governmental policies, possess correct capacities and have access to important networks. The third and the final phase of the model suggests a strategic framework for SME expansion. These four strategies include modes, timing, destinations and operations. These are the important

strategic decisions, based on which the firm decides to expand across borders and by carefully selecting the proper alternatives, the firm may utilize its competencies successfully. (Bose 2016)

Previously the service sector has been linked with more domestic markets but during the past years the role has become rather international and this is mainly due to growing understanding of various types of internationalization and due to growth in operations in the service sectors. As there is constant strive to increase the competitiveness at the company, region and at country level, it is therefore necessary to internationalize the service sector. The internationalization of the service industry mainly takes place in the form of foreign investments. Nowadays the internationalization in the service sector is considered to be both an opportunity as well as a necessity. Other reasons for internationalization are globalization, trade liberalization and development of information technology. Competition becomes more intense and the pressure to look for new business opportunities grows. (Toivonen et al. 2009, 1-2). Globalization's first phases started already in 1800s and it was due to rise of manufacturing (Cavusgil et al., 65). According to UNCTAD (2008) one of the most important sectors for employment is considered to be service sector and in addition, it remains the most active industry in foreign expansions by showing the largest share of FDI flows in developed countries.

Previously Javalgi and Steven White (2002) has written that the following statements have had a great influence on the growth in service sector.

- World Trade Organisation's (WTO) establishment to regulate and liberalize the international trade which has therefore created opportunities to internationalize services.
- Marketers' courage to offer services globally has increased due to various protective measures (patents, trademarks, copyrights, intellectual property rights etc.).
- The fact that governments' attitudes have changed towards foreign direct investment and trade and has therefore generated more growth of the service segment in both developing and developed economies.
- Regional arrangements such as EU and NAFTA make bigger markets and therefore create more opportunities for goods and services.
- Developments in information technology enables easier, quicker and more economical ways to move data, service products and people globally.

- Demographic changes of consumers create more demand for several services. Changes are in relation to leisure time, increasing affluence, better education and more women in the workforce.

In addition to above mentioned factors, Javalgi and Martin (2007) try to view additional intellectual contributions to service industry internationalization and they found out that also specific firm level resources, management characteristics and firm characteristics have an influence on the internationalization of service firms. Entrepreneurial orientation, market orientation and service innovation capability are some examples of firm level resources. International experience and global way of thinking belong to the management characteristics whereas service type, size and years in business belongs to firm characteristics. If, for example, the manager or owner of a certain service business shares a global mindset, there is higher likelihood to go international. Moreover, many researchers divide the service to either hard or soft services, meaning that it is recommended for soft services to have local presence while hard services can manage with limited presence in the foreign market. (Javalgi & Martin 2007)

When looking at the internationalization of service industries from todays's perspective, the coronavirus has shaped the industry quite a lot in a year and slowed down the rapid internationalization of businesses and even the customer demand in some industries. The impacts are at country, regional and international manner according to Ratten (2020), and free mobility between countries is posing challenges for international business and especially for service industry. Social policies are encouraging people to work from home but naturally services cannot be run from home. However, the pandemic creates both challenges and opportunities in a way that it limits some businesses but similarly creates opportunities to innovate something new and suitable for today's business world. Digital technologies are facing great amount of opportunities as people have more time to be online rather than be physically present due to restrictions. (Ratten 2020)

2.2 Internationalization theories

This section of the literature review describes the internationalization theories and how these theories can be used to examine the internationalization of SME services. Dabić et al. (2020) mention that there are six theoretical models of the internationalization of the company,

reviewed from previous literature, which are Uppsala model, network approach, born global, transaction cost theory (TCT), entrepreneurial theory and resource-based view (RBV). In addition to these theories, an eclectic paradigm, also known as OLI (ownership, location, internalization) paradigm is represented by John Dunning to help individual companies to evaluate whether it is advantageous to pursue FDI (Sharmiladevi 2017). The emphasis with this OLI framework is that it is designed for multinational enterprises (Sharmiladevi 2017) and is not therefore considered as relevant theoretical framework for this research. What comes to born-global companies, they aim at internationalizing soon after founding the business and they start the business with a global mindset (Knight & Cavusgil 2004) and is therefore not suitable theory for this research either when considering the founding year of the case company. Moreover, born global firms aim at gaining substantial proportion of their revenue from international markets (Knigh & Cavusgil 2004) and this is not purpose of the case company. As entrepreneurial theory is associated with born global firms (Allen 2016) and transaction cost theory suggest that the company shall select the least cost international location for its activities (Rindfleisch 2019), these theories are not directly related to the research and therefore left out. For this reason, Uppsala model, network approach and resource-based view will be the three supportive theoretical frameworks that are discussed in this section.
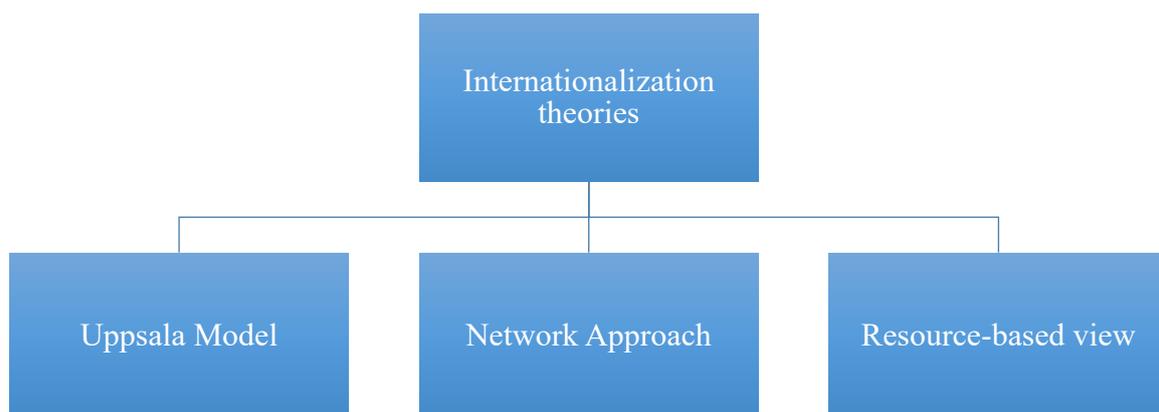
Figure 5. Internationalization theory framework

2.2.1   Uppsala model

Traditional theories show the internationalization as a process with incremental stages (Johanson & Vahlne 1997) and as an activity that uses risk management (De Lemos, Johanson & Vahlne 2011). The basic characteristics of Uppsala model include low risk-taking and long-term profit growth and is therefore applicable for those firms that want to follow incremental internationalization, which means gradually expanding the international activities over time. Main theoretical constructs of this model include psychic distances, market commitment and market knowledge. Psychic distance, in this case, means differing markets in terms of for example difference in culture, language, education, industry structure, business and political practices. Market commitment refers to resources in a way that the stronger the commitment to the market is the more resources are integrated into the company. Market knowledge then refers to the fact that decisions are dependent on the knowledge regarding opportunities and problems. For example, demand and supply are considered to be part of market knowledge, as well as competition and distributors. Knowledge can be divided into objective or experiential knowledge, as well as into market-specific and general knowledge. Experiential knowledge is only reached through personal experience whereas objective can be taught. Johanson and Vahlne (1977) state that the experiential knowledge is usually harder to attain but also more important. General then refers to knowledge about common things such as customers and marketing methods whereas market-specific is knowledge of culture, attributes of customers and market systems focusing on one specific market. The meaning of this knowledge is that it affects the firm's internationalization process and entry mode choice. The model suggests that the firm should start from low resource-commitment mode and move towards higher commitment simultaneously as it gains knowledge from foreign market (Johanson & Vahlne 1977).

Carneiro, Rocha and Silva (2008) mention that since the model is mainly used for manufacturing firms, there is uncertainty whether the model is suitable for service firms as well. However, Carneiro et al. (2008) come to the conclusion that there is no single theoretical framework that could be applied solely to service internationalization as it is too complex as a concept and when using the Uppsala model as a theoretical base for the internationalization, one must bear in mind that it is very context specific due to the fact that this model is not directly generalizable to service firms. Similarly, the paper "The Uppsala model's applicability on

internationalization processes of European SMEs, Today" by Tykesson and Alserud (2011) explores and argues whether the Uppsala model is suitable model in today's business environment since it is considered to be quite general and therefore sometimes failing in clarifying the complex business world. The results highlight that it is indeed general but can be applied to a great variety of situations (Tykesson & Alserud 2011).

Some scholars such as Hilmersson and Johanson (2016), consider whether the traditional Uppsala model should be replaced within new theories or is it still relevant to be used. Similar debates have shown Johanson and Vahlne (2009) by themselves by revisiting the model due to changes in economic environment. Due to the fact that the regulatory and economic environment has faced radical changes, the behavior of firms has therefore changed as well and the Uppsala model that was made in the past does not necessarily fit to this new business environment (Johanson & Vahlne 2009). Also, Masum and Fernandez (2008) state that due to rapid globalization, SMEs are able to internationalize faster and therefore some researchers question the eligibility of this Uppsala model. More efficient theories have been therefore studied such as the network theory (Masum & Fernandez 2008). Johanson and Vahlne (2009) view the economic environment as "a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers" and therefore adjusted their original assumptions and developed the traditional Uppsala model towards business network internationalization process model. The inventers of Uppsala model have further developed the model in 2009, 2013 and 2017, however the 2009 revised version takes into account the importance of networks (Vahlne & Johanson 2017). Johanson and Vahlne (2009) state that the success of foreign market entry process is possible but dependent on the relationships the firm has developed both on domestic and international market.

2.2.2   Network approach

As stated above, network approach became an important concept in internationalization of a company. The article by Johanson and Mattson (1988) has been a revolutionary text about the international network theory. According to this article, the process of firm's foreign expansion "means that the firm establishes and develops positions in relation to its counterparts in foreign networks", so in other words, the company should establish, develop and maintain the relationship with these new partners in order to fulfill the aim of becoming an international firm

(Johanson and Mattsson 1988, 296). The Early Starter, the Lonely International, the Late Starter and International Among others are firms that Johanson and Mattson (1988) categorized in order to describe the degree of internationalization of the firm and the market, however the focus being on manufacturing firms. According to Ratajczak-Mrozek (2017, 153), "networks and relationships are becoming the dominant paradigm in the theory of internationalization". When the firm starts to develop its relationship with another firm that operates in the target market's network, the internationalization occurs (Ojala 2009). Therefore, Ojala (2009) states that these connections between the companies work as a so called bridges to new markets. Based on the network theory the relationships are considered to be the same as investments in assets and therefore essential for a firm to compete on network level (Johanson & Mattson 1988). It is said that the way SMEs can compensate the fact that they do not have as much resources, capabilities and market power as MNCs tend to have, is with use of network connections (Knight 2000). According to network theory, especially knowledge-based service firms are able to keep ahead of the competition by creating mutually reinforcing interactions with other service providers (Coviello 2006). Gebert-Persson, Mattsson and Öberg (2014) note that the firm's power and influence is directly associated with the resources accessed through the networks, meaning that the more resources the firm has gained the more power and influence it has.

2.2.3 Resource-based view

Another theory which is argued to explain the internationalization process is resource-based view and it is also connected to network approach. This is due to the fact that internationalizing firm requires resources and it shall determine therefore which resources to acquire. These can either be intangible or tangible resources. For example, lack of material resources means that the firm should acquire more intangible resources and compensate the deficiency with them. (Kazlauskaite et al. 2015) Stocks of knowledge such as technological know-how and global market knowledge, social and intellectual capital as well as reputation belong to intangible resources (Kazlauskaite et al. 2015) whereas tangible assets can be for example cash on hand, financial investments, physical equipment and other assets and properties (Kamasak 2017).

Based on the objective of RBV, the aim for the firm is to develop inimitable and firm-specific core competencies as resources that will enable the firms to gain competitive advantage over

its competitors (Kamasak 2017). Competitive advantage is therefore highly associated with resource-based view since the resources are identified as tools of competitive advantage (Pigatto, Santini Pigatto, Satolo & Negreti 2019). However, it remains one of the challenges for the companies to try and sustain the advantages and thus adapting resources is necessary in order to maintain them (Pigatto et al. 2019). Service firm's international and competitive advantage is highly affected by skills, resources and capabilities. Therefore, it is advisable to match the fluctuating external environment with internal resources and complex skills to gain competitive advantage in the host country. Simply put, the firm is required to build sustainable superior value for its client base. (Javalgi & Martin 2007)

2.2.4   Summary of the internationalization theory framework

To sum up the theoretical framework that has been used in international business literature, there are several theories to explain the flow of internationalization of a service firm. First, the Uppsala model suggests that the firm gradually increases its operations as it gains knowledge and experience from the foreign markets (Johanson & Vahlne 1997). Secondly, network approach is said to enable the competitive advantage for a firm if a firm develops mutually supportive interactions with other firms (Coviello 2006). Thirdly, resource-based view (RBV), suggests that firm-specific and unique competencies shall be developed in order for the firm to outperform its competitors (Kamasak 2017). In the table (1) below, comparison of Uppsala model and network approach is provided.

	Uppsala Model	Network approach
Unit of analysis	The company	Many interorganizational connections between companies. Relations between one group of companies and other groups of companies.
Basic assumptions of company's behavior	Incremental decision-making process and behavioral theories are main constructs. Knowledge and learning have an impact on investment decisions.	Glue that keep the connections together is based on personal, economic, legal and technical ties. Mangers' personal impact on connections is strongest in the first phases of establishing connections. Routines and systems become more essential later in the process.
Factors affecting the development process	Psychic distance between domestic market and international market, and firm's market commitment and knowledge.	Individual companies are self-governing and reliant on resources managed by other firms. In the fields where coordination between specific actors is continual and where conditions change quickly, business networks will emerge.
Normative implications for global marketers	Additional market commitment shall be made in incremental steps by choosing new market with small psychic distance and choosing an entry mode with less risks.	Relationships work as a so called bridges to other countries and therefore essential step when entering new markets. SMEs can be obliged to enter international markets if a client requires it to follow.

Table 1. Summary of the two models describing internationalization process of the firm (Hollensen 2012, 66)

2.2.5   Internationalization theories in practice

This section provides more practical information on internationalization theories and possible avenues for companies to follow for the purpose of achieving its expansion.

Uppsala Model

According to the model, the first step for the firm would be exporting to a new country and specifically internationalize to nearby countries and gradually continuing this pattern (Johanson & Vahlne 1997). The firm chooses the new country based on the psychic distance and the resource commitment and in case of a service firm, the first step following the Uppsala model would be choosing the country of operation and then decision regarding the control which gives the possibility of for example joint venture or foreign direct investment (Carneiro et al. 2008).

Network Approach

Based on the new revised version of Uppsala model, which emphasizes the importance of networks, a company shall establish one or more contacts in order to succeed in the new foreign market. Within this model, it is important that the company is viewed to be an "insider" which means it has established relevant network of connections. (Johanson & Vahlne 2009) As the knowledge is the central concept within this approach and to acquire this invaluable knowledge, the company shall interact with other companies, learn from them and use their international contacts and experiences (Hadley & Wilson 2003). According to Johanson and Vahlne's new revised model, especially the experiential knowledge lowers the company's understanding of market risk and uncertainty, which then have an influence on the commitment level to global market (Hadley & Wilson 2003).

Resource-based view

Resource-based view states that the firm should search for rare, valuable and inimitable resources since these generate a competitive advantage for the firm (Kamasak 2017). Intangible resources, such as knowledge is considered as sustainable competitive advantage due to its inimitable nature. Hence the employees are identified to be the essential part of the creation of competitive advantage as they hold the knowledge, skills and abilities. As employees are

transferable assets, the company shall seek to retain them. However, if the company does not have employees with high level of knowledge it shall acquire them elsewhere. (Omerzell & Gulev 2011) According to Porter (1990, 37), there are two ways of creating competitive advantage: lower cost and differentiation. Lower costs naturally mean that the company is able to offer something more efficiently than its rivals whereas differentiation means providing unique value to the client in the context of features, quality or after-sale support. (Porter 1990, 37) Additionally Omerzell and Gulev (2011) state that excellent service and advanced technology are also ways to create the advantage. In general, when having the RBV perspective in internationalization, the firm should define resources that generate sustained competitive advantage and then acquire them (Omerzell & Gulev 2011).

2.3 Foreign market entry of service companies

An increasing number of researchers are interested in the internationalization process aimed at particularly to service firms (Blomstermo et al. 2006; Pla-Barber & Ghauri 2012). The internationalization process includes choosing a strategy and an entry mode as well as entry timing (Andersen, Ahmad & Chan 2014) and thus it is essential to choose a suitable entry mode for the firm since the choice may be crucial factor when evaluating the future success of the firm (Khojastehpour & Johns 2014), survival of the company (Ekeledo & Sivakumar 2004) and overall the international performance of SMEs (Brouthers & Nakos 2004). Therefore, it is considered to be one of the most significant decisions a company shall do because any inadequate entry mode can limit the strategical options and prevent opportunities, which can then cause monetary losses and in the worst case scenario, even an exit from the target country (Ekeledo & Sivakumar 2004).

According to Toivonen et al. (2009) the process of becoming an international service firm can be explained through three strategies: 1) follow-the-customer, 2) gradual internationalization and 3) rapid internationalization. In the service industry, the best known strategy to internationalize has been the first, which is the client-following strategy, but more and more companies voluntarily try to find new foreign markets and therefore follow the second strategy. In the first strategy (follow-the-customer), the client pulls the service provider into the foreign markets and the entry mode therefore depends on the customer's needs in this case. The second option (gradual internationalization), involves incremental growth of becoming international

and is therefore considered to be a step by step process. An example of the third strategy (rapid internationalization), is the "born global" firms, which have adopted the global mindset and they aim for exponential growth in becoming international. (Toivonen et al. 2009, 33)

Despite of the many studied aspirations towards internationalization and the strategies to follow in order to achieve those aspirations, it is good to bear in mind that there are still millions of SMEs with only low degree of international operations and companies operating purely on domestic markets and still wanting to continue in the same path (Knight & Cavusgil 2004). However, if it is the case that the company is determined to expand its operations internationally, it shall first define the appropriate entry mode according to Bouquet, Hébert and Delios (2004).

2.3.1 Applicable market entry modes

Market entry modes can be viewed in multiple ways. Exporting, licensing, establishing subsidiary to foreign market and business arrangements in which two or more firms share resources are examples of entry modes for service firms (Blomstermo et al. 2006). In this chapter, entry modes that are relevant for service firms such as boat storages are presented. Boat storages can either enter to market by buying, renting or by building the storage space. Acquisitions and greenfield investments in this case represent the buying and building options whereas joint venture represents the renting option.

Acquisition and Greenfield investment

When a firm decides to establish a wholly owned subsidiary in a new market, it usually has two options which are acquisition and greenfield investment. Acquisition means acquiring an existing company whereas greenfield investment means building new business from scratch. Advantages of acquiring an existing company are the rapid speed of entry, existing customer base and existing reputation at the new market as well as high level of control over the operations and strategy. Most problems in acquisitions result in the poor communication between the investor and the local management and the price of the acquisition can be considered as a downside. In order to avoid the integration problems with acquisitions, company may enter the market by building its operations from scratch and by this way can

establish all desired requirements and practices and start with a clean slate. This is called a greenfield investment which is a type of foreign direct investment (FDI). This enables the firm to have full control and shape the firm according to its own image. However, this option requires a lot more effort, time and activities as well as more capital and investment costs. Acquisition therefore is a faster process. (Hollensen 2012, 265) According to Cavusgil et al. (2020, 40-41) foreign direct investments cover the broadest range of international business and therefore remains one of the most dominant forms of internationalization.

Joint Venture

Joint venture means a strategic partnership where two or more parties are involved. This kind of an arrangement may offer new opportunities due to shared marketing, technology and management competences. However, the fact that these parties operate in different markets, this may result in management challenges as well. Other advantages the joint venture may offer are related to speed of market entry, lower costs and increase in sales. Disadvantages of this strategy are possible diverging goals and lack of full control over the strategy and operations. It requires effective working with the partner in order to succeed. (Hollensen 2012, 253-255)

Joint ventures are divided into contractual non-equity joint ventures which is, in other words, strategic alliance, and to equity joint ventures. Partners do not invest in the partnership in strategic alliance, but they formulate contractual connection in order to share risks and acquire long-term profits. Equity joint venture, on the other hand, contains a creation of a new firm in which local and foreign investors share control and ownership. Collaboration is the key to differ these two types of joint ventures: whether the parties have differing skills that are enforced in the alliance or they both commit in the same activities in the value chain. (Hollensen 2012, 253-255)

2.3.2   Comparison of applicable entry modes

Daszkiewicz and Wach (2012, 56-59) have studied different entry modes and listed their pros and cons and summary of these is found in the table (2) below.

Entry mode	Pros	Cons
Acquisition	- economies of scale, - enhancing business activity scope - integrating supplementary resources of a local company and a foreign partner	- high expenses and risks, - the need of integrating the whole firm into present operations
Wholly owned subsidiary	- full control - opportunity to have an impact on the company image - potential to have the highest profitability	- high entry cost and risk, - more complex registration process
Joint venture	- synergistic effect, - knowledge integration between partners - shared risk between the partners, - good image of such a firm on the local market	- high entry cost and risk - potential conflicts of interests between partners - more complex registration process

Table 2. Pros and cons of the applicable entry modes
(Wach 2008, referenced in Daszkiewicz & Wach 2012, 56-59)

Nilsson and Tefera (2015) have studied market entry modes of international service firms in the fields of construction, banking and hospitality. The two relevant fields for this research are construction and hospitality industries since their entry options were acquisitions, wholly owned subsidiaries and joint ventures. Based on their findings, the entry mode for construction company is better explained using acquisition due to time limitations, and the entry mode for the hotel is better explained using either acquisition or wholly owned subsidiary due to their loyalty program and need of full control. (Nilsson & Tefera 2015)

The internationalization process for the construction company begins with acquiring knowledge of the foreign market and several consultancies are used for this as well to offer additional

viewpoints. However, they emphasize that the actual decision is based on their own assessments. Since their company strategy is to penetrate existing markets, they prefer markets with further growth potential. The expansion process for the hotel starts with a business case, in which they acquire information of the new market. This is followed by consultancy, which looks at the future forecasts and based on them different assessments are made. Next comes the calculations regarding the expansion including a net present evaluation. The most time consuming and challenging part for the hotel in the internationalization process is familiarizing itself with the new market and the culture and after doing that building up a network, containing investors, partners and constructors takes place and the process starts. (Nilsson & Tefera 2015)

2.3.3   Factors influencing the choice of entry mode

There are wide variety of differing factors that have an influence on the internationalization process and the entry mode choice. Choosing the right mode is important, and Efrat and Shaham also state that the right choice helps the companies to gain competitive advantage. According to Uppsala model, firms are in the habit of internationalizing to nearby countries and the process itself is affected by the knowledge and commitment features (Johanson & Vahlne 1977). Castellacci (2010) states that cultural and geographical proximity play a key role in the service companies' internationalization process. In the network approach, the effects of network connections affect the decision to internationalize (Ojala 2009). What comes to resource-based view, company's capabilities and resources affect the choice of entry mode (Kamasak 2017). To better understand these theoretical factors affecting the choice of entry mode, summary of the influential factors is presented in figure 6.
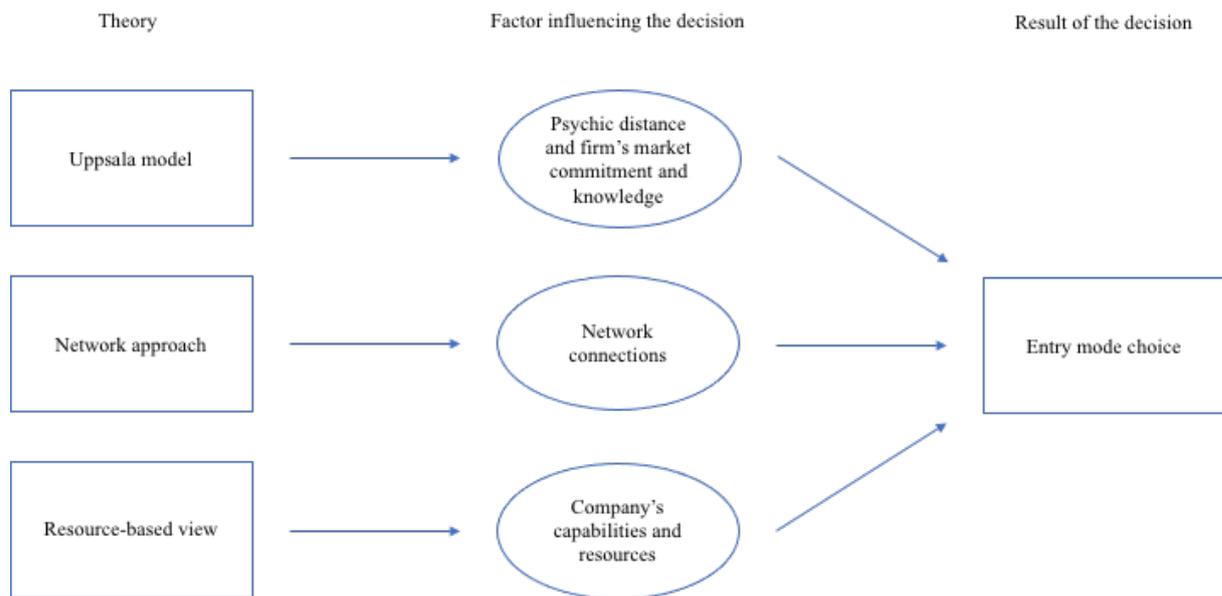
Figure 6. Essential factors influencing the entry mode choice decision
Source: Own study based on previous literature

One essential factor that affects the choice of the entry is considered to be control (Blomstermo et al. 2006), and according to Ekeledo and Sivakumar (2004) each foreign market entry mode belongs to either 1) high- or full-control modes or to 2) low- or shared-control modes. The first category represents the sole ownership modes of operation whereas the second category represents the collaborative modes of operation (Ekeledo & Sivakumar 2004). Service firms that choose the high control mode have therefore majority of subsidiaries under the ownership of the company which means that these tend to be harder to manage due to higher uncertainty and requires thus more resource commitment from the company. When a company wants to build strong connections with the foreign market and foreign buyers and adapt more easily to the needs of foreign customers, it prefers the high control mode. Furthermore, the more important the brand name and value is the more likely the company will choose high control mode. (Blomstermo et al. 2006)

According to a study provided by Ekeledo and Sivakumar (2004, 87), "proprietary technology, experience, specialized asset, firm size, organizational culture, or positive reputation increases the odds of selecting a full control mode (sole ownership)". What comes to low control, it is advisable to choose it when risks have to be taken and demand uncertainty occurs (Blomstermo et al. 2006). This mode offers less resource commitment along with lower return on investment as everything is shared through two or more businesses (Ekeledo & Sivakumar 2004). Risks and returns are therefore connected to control in a way that full control exposes the firm to

greater risks and returns whereas the low control exposes the firm to lower risks and returns (Ekeledo & Sivakumar 2004; Blomstermo et al. 2006).

Additionally, Bouquet et al. (2004) in their article "Foreign expansion in service industries: Separability and human capital intensity" examine the connection between service characteristics and entry mode choices and expatriate staffing decisions. They found that whenever the levels of human capital intensity and client interaction in an industry increases so does the dependence on expatriate staff and tendency to use wholly owned subsidiaries instead of using joint ventures increases. In addition to this, results of this study show that expatriate managers and wholly owned subsidiaries are preferred in circumstances where required competences contain close communications with end users and extensive levels of professional expertise, customization and special know-how. Bouquet et al. (2004) summarizes the choice in a way that wholly owned subsidiaries have greater control over foreign activities, however, requiring more resource commitment such as managerial resources and financing. (Bouquet et al. 2004)

Furthermore, market size and the growth of the market are central variables when considering the market entry choice. The management has higher degree of committing resources to development and is more likely think of participating in a majority-owned partnership arrangement or establishing wholly owned subsidiary when the market is bigger and has higher growth rate. (Hollensen 2012, 225) To conclude, control, risk, return, resources, opportunities, experience and knowledge affect the entry mode choice in service firms. Experiential knowledge means for example information on intermediaries, technical and other resources. It is a critical factor when companies choose their process of expansion since risks and opportunities are associated to the amount of experiential knowledge on foreign market. Level of uncertainty about the foreign market is affected by the lack of knowledge. If a company is inexperienced, it typically exaggerates the risks involved and underestimates the returns in international markets. Vast majority of studies provided show that high control entry modes are associated with companies that have previous experience from international operations. (Blomstermo et al. 2006)

2.3.4   Cross-border internationalization

Leisure industry, culture and sport, healthcare, innovation, technology, education, transport and trade, environmental preservation, regional and economic development belong to the general industries of cross-border collaboration (Engl 2009). As globalization, trade liberalization and technological transformation is making the flow of crossing borders easier and faster (Toivonen et al. 2009; Javalgi & Steven White 2002), there are some specific aspects that a service business must bear in mind when expanding across borders. Numerous factors such as political, economic and social factors have an impact on the cross-border cooperation and to specify these groups, internal and external factors are used to categorize these (Stryjakiewicz & Tölle, 2009).

Internal Factors

Internal factors naturally refer to the company itself and to everything happening inside the company. Existing knowledge and current experience, local innovation, organizational structure, team inside the firm and company mindset are examples of these internal factors. What is meant by the company mindset, it shall be open to new contacts, for example, if the company aims at internationalizing. (Stryjakiewicz & Tölle 2009) Moreover, Javalgi and Martin (2007) state that if the personality traits of the management team are entrepreneurial, innovative and sharing interest to global markets, the likelihood of engaging the business across borders is higher. Correspondingly Suh et al. (2008) state that the management style and attitude strongly impact on the willingness to take risks and the willingness to succeed in foreign markets. Whitelock and Jobber (2004) found out in their study about evaluation of external factors when entering new international market that individuals usually make their decisions based on previous knowledge and experiences.

External Factors

Daszkiewicz and Wach (2012, 51) note that the decision regarding the target country is usually thought of being based on the legal business environment but it goes beyond that. Cultural environment, government regulations, technology, economic environment and market in the host country are considered as factors that considerably affect the internationalization process of firms. International political relations include also global trends and binational issues, which are considered as external factors. (Stryjakiewicz & Tölle 2009) In more detail, geopolitical position of the market, economic growth, size and the value of customer market, presence of

suppliers and incentives for investors from other countries belong to external factors (Daszkiewicz and Wach (2012, 51). Whitelock and Jobber's (2004) study shows that developed economy, governmental attitude, geocultural and political similarity are the major macro-environmental factors that affect the decision to go across borders whereas market attractiveness and access to proper market information are considered as micro-environmental factors (Whitelock & Jobber 2004). According to Pellé (2008) uncertainty regarding the legalities and taxes in the foreign country remains as a factor why companies hesitate to expand their business.

Success Factors

Main features that may have an effect on the SME's decision-making mode in market entries include the goal setting and lack of knowledge (Gabrielsson & Gabrielsson 2013), decision makers' managerial competencies and attitude towards internationalization (Javalgi and Martin 2007), existing knowledge and experience (Whitelock & Jobber 2004; Evers & O'Gorman 2011), and resource availability as well as decision makers' already existing social and business networks (Evers & O'Gorman 2011). Similarly, Cankar, Seljak and Petrovsek (2014) studied necessary factors needed in creating an encouraging business environment when conducting business across borders and based on their findings, the most essential features for the cross-border cooperation were shared interests, good language skills and personal relations whereas cultural and linguistic similarities and similar management structure were seen as less important factors. Isa et al. (2020) correspondingly state that firms that have strengths in providing necessary resources, international expertise and enough capital tend to immerse themselves more in opportunities that lie in international markets. In addition, also working conditions, operating costs and business registration conditions, business law transparency, investment incentives and localization benefits in a host country are factors that encourage firms to cross border expansion (Daszkiewicz & Wach (2012, 51). Two factors that stand out from the studies are expertise and resources but to clarify their relation, Suh et al. (2008) note that managers of SMEs tend to think the lack of knowledge and international experience as a more important determinants to perceived costs in foreign markets than they think of lack of resources.

Since Hollensen (2012, 11-15) states that the firm shall first define whether it has abilities to pursue an expansion, the table (3) below represents reflections to prior literature stating critical

factors in decision-making process and factors the firm shall have in order to successfully expand to a foreign country. Left column represents the critical success factor and the right column represents the explanation which tells whether the resource can be already existing or whether it needs to be acquired from elsewhere.

Success factors	Explanation
1. Market attractiveness and developed economy	Meaning that the foreign market shall have growth opportunities and an access to proper market information. For this factor, market research is necessary.
2. Geocultural and political similarity	Meaning that the governmental, legal and regulatory shall be suitable for the company. Furthermore, cultural and linguistic similarities are not the priority but an advantage for the company. For this factor, market research is necessary.
3. Existing knowledge and expertise	The company shall have international know-how (human resources) in order to successfully expand and if not, consultation shall be acquired elsewhere.
4. Global mindset of managers	The company managers shall have an attitude towards internationalization, and at least an open to new contacts. This factor shall be an already existing resource
5. Ability to provide necessary resources (resource availability)	Consists of physical, human, intellectual and financial resources. Strong financial background is recommended, or at least ability to provide enough capital. This factor shall be an already existing resource and if not, the process delays.
6. Existing social and business networks	Enables the business to faster expansion. This factor shall be an already existing resource for a company and if not, the firm shall make partnerships.

Table 3. Success factors of service internationalization across borders

Source: Own study based on previous literature

Advantages of cross-border internationalization

Despite many challenges that cross-border internationalization sets for companies, and especially to SMEs, Bufon and Markelj (2010) notes that many advantages are viewed as well. Synergy is seen as one of them, as the connections between institutions, municipalities and regions are made, which then enhances the communication and thus reduces the lack of information about foreign market. Therefore, the transfer of knowledge, exchange of know-how and enhanced communication are seen as benefits in both markets. Another advantage is viewed in form of economic benefits, as the partnerships across borders increases the competitiveness of economy. (Bufon and Markelj 2010) Raposo, Ferreira and Fernandes (2014) argue that SMEs that cooperate both domestically and across borders generate positive impacts for company innovation and performance levels.

2.3.5 Boating industry perspective

Amatulli et al. (2017) describe the boating industry as something that offers a wide variety of growth opportunities. The industry has evolved a lot during last decades due to for example environmental regulation, increasing fuel and insurance costs and property taxes on marinas. Nowadays, many of the boat storages are storm-resistant, enclosed spaces and designed to fit the needs of the boats. Dennis (2009) reminds that there are substantial variations in prices of storage spaces due to dissimilarity between marinas and land areas. (Dennis 2009)

Amatulli et al. (2017) in their article about service in pleasure boating sector state that many integrated firms in this specific industry provide the winter boat storage including also tuning services. Furthermore, after-sales support and logistics services as for example handling, launching, hauling and even mooring are usually provided. These kinds of additional services could work as opportunities for similar businesses to increase sales. Moreover, the results of the research show that (Amatulli et al. 2017, 576-577) "companies have to be able to deliver the best level of service and, in specific cases, such as in the pleasure boating sector, offer a variety of differentiating services" in order to create and gain competitive advantage. To sum up the creation of competitive advantage in the boating sector, differentiation and personalization of services are essential along with taking into account the costs and benefits. Personalized services, especially, increase the customer satisfaction and by this way adds the

customer loyalty. Amatulli et al. (2017) state that while findings of their research may be useful for other similar businesses focusing on pleasure boating sector, they suggest that future research could address other geographical markets in order to improve the external competencies of their study. (Amatulli et al. 2017)

3 RESEARCH DESIGN AND METHODOLOGY

This chapter is split into four parts and it explains how the research is conducted. The research design is introduced in the first part, followed by the data collection methods. Third part includes the data analysis methods and lastly, reliability and validity of the study are taken into account. The chapter also includes the selection criteria for the targeted research interviewees.

3.1 Research design

Saunders, Lewis and Thornhill (2016, 163) describe the research design as a plan that states the intention and the method of answering research questions. Moreover, research design contains the data sources used to reach the objectives of the study and a way of analyzing the data (Saunders et al. 2016, 163). To start with, this research aims at finding the best entry strategy for the case company to enter the new foreign market. The case company's demand curve has shifted to right, meaning that the company representatives are looking for alternative ways to respond growing level of customer inquiries. Therefore, this research is conducted as a qualitative single case study, supported by secondary data and thus the findings are reflection on both of these. The empirics of this research are based on semi-structured interviews. More details regarding the interviews is found from section "3.2 data collection methods". Moreover, internationalization theories, cross-border concept and SME services' internationalization are topics that are analyzed and used as a supportive data with the interviews and therefore both primary and secondary sources of data collection were combined in this research process. The target market will also be analyzed in order to understand the competitiveness. The fourth chapter, which includes the case description and the target market analysis, therefore, consists of both the literature and empirics.

As the research strategy is a case study, it means an empirical study, which investigates specific phenomenon while gaining in-depth insights in real-life context. It is suitable for research where how, why and who questions are asked and when focus is on current real-life phenomenon. Since the specific phenomenon is considered to be contemporary, it leads the researcher to collect up-to-date evidence to explore the phenomenon. The most used data collection methods in case studies include surveys or interviews since speaking is clearly involved in this collection to gain knowledge and moreover, it enables deeper look at the topic. Even though case study

method is criticized for its inability to be generalizable this limitation is compensated with the fact that the deep understanding gained from the research contributes to business knowledge. (Farquhar 2012, 3-12). Therefore, the best method to reach the objectives of this study is to conduct interviews since up-to-date evidence is needed.

3.2 Data collection methods

Qualitative case study research is used as a method in this study. An essential element of the qualitative research is the data collection itself. As stated above, the tool used in this research is a one to one interview and specifically face-to-face. In-person interview is the oldest but best form of data collection since the aim is to maximize the quality of data as well as to get very detailed information. (Lavrakas 2008, 259). It is considered to be the most suitable data collection method for this research as the purpose is to obtain valid and reliable data and therefore applied as the primary method in order to fulfil the aim of the study. The interviews, in this case, will be conducted as a semi-structured so it will consist open-ended questions, which, according to Lavrakas (2008, 260), gives the possibility to broaden the answers but still keep the focus on the key issues. This way it is easier to avoid the interviewer bias since the interviewer can clarify some confusing parts of the questions (Lavrakas 2008, 260). In semi-structured interviews, there is a list of themes and even key questions that shall be covered, however these questions can change between interviews (Saunders al. 2016, 391). As this research uses only semi-structured interviews as a data collection technique, it is called a mono method qualitative study according to Saunders et al. (2016, 168).

The main aim of the interviews was to develop a deeper understanding of whether SYS should pursue an international expansion and help determining the right entry mode. The case company was chosen from the service sector and the company representatives participated the interview as they are responsible for the operational activities of the company. The interviews have also been conducted with other individuals who hold a key role in the case. There were two groups of people who were selected to represent their views in this case; current and potential customers. Current customers represent customers of the case company whereas potential customers represent a group of potential customers for the new boat hotel after the expansion. Current customers were interviewed with the aim of outline their reasons for being SYS' clients and evaluate customer satisfaction as well as gain insights to possible improvements and by

this way the competitive factors were possible to identify. Potential customers were also interviewed in order to draw a picture of possible demand, their expectations regarding the new boat storage and understand the factors that are important in the decision-making process when choosing the storage unit. However, due to some current customers being also potential customers, some interviews were integrated together in a way that the current customers answered also to questions that were presented to potential customers. This was a great addition to the data collection as it enables more in-depth analysis due to the fact that current customers already know the service and by this way their answers provide invaluable guidance for the expansion project.

Furthermore, the interviews guarantee to answer the question whether or not there is demand for the new boat storage and gain ideas for developing the service to exceed customer expectations. Saunders et al. (2016, 392) form the interviews in a way that non-standardized interviews consist of one to one and one to many interviews. As the interviews are conducted individually, one to one interview method is applied which consists of in-person, phone and electronic interviews (Saunders et al. 2016, 392). The interviews were carried out face-to-face, via Teams platform and via email. The chosen platform was based on the interviewees' preferences and the abilities to conduct the interviews. Interview questions were developed in regard to aim of the thesis and they were sent to interviewees beforehand in order to ensure the interviewees were prepared and by this way maintaining the quality of the interviews.

The interviews took place in April 2020 between the 13th and 30th of April. The author approached the interviewees via phone and email. All the interviews were recorded with the permission of the interviewees except one which was conducted by email due to language barriers. All interviews were kept anonymous for the purpose of securing reliable data. Anonymizing means for example hiding the interviewee's name in order to keep their identity safe (Saunders, Kitzinger & Kitzinger 2014) and with this in mind, the author believes that the interviewees are more likely to answer truthfully if the name is anonymous. Moreover, for researchers there is a central binding guidance regarding analysis of qualitative data and that is an ethical principle (Vuori 2021). This research follows the Finnish law and the ethical principles of human research. In order to respect the rights of the interviewees, prior to participating in the interview, the interviewee has been asked for voluntary consent to participate in the research and thus the interviewee also has the right to suspend participation.

Due to the fact that this research does not compromise the physical integrity of the participants, pose a safety threat nor present exceptionally strong stimuli for mental stress there is no need to request an ethical review from the Human Research Ethics Committee (Tutkimuseettinen neuvottelukunta 2019). Research data is processed in accordance with the legislation and data protection guidelines.

Seven out of eight interviews were carried out in Finnish, and one in English. Boddy (2016) argue that even a one participant can be enough of a source and provide sufficient insights for the research in a single case study, but since this study focuses on larger phenomenon, Guest, Bunce and Johnson (2006) state that data saturation is possible to reach if at least six interviews are conducted. Since the qualitative research aims at keeping the quality of the research at high level, eight interviews guarantee this.

3.2.1 Selection criteria for respondents

The company representative was selected to answer the interview in order to get data to case description part and to understand the case better. The two groups of people (current and potential customers) were selected with the aim of getting the answers from broader perspectives and to make sure not to overlook the case from only one side.

The criterion used for the selection of the current customers was the following:
- Does the interviewee have the information the author requires?
- Is the respondent available for the interview?
- Will the interviewee provide reliable and accurate data?

The criterion used for the selection of the potential customers was mainly the background in boating industry and having a boat that is preferably located at sea area. In this research the chosen interviewees had to meet the following requirements:
- Background from boating industry and preferably a boat locating at sea area and knowledge of Estonian market
- Is the respondent available for the interview?

3.2.2   The Respondents

Overall, eight interviews were carried out with a mixed sample. Three current customers participated in the interview, from which two of them also represented potential customers. Therefore, six respondents provided answers from the potential customer point of view.

The following table (4) shows the general information of the primary data collection.

Interviewee (role in the case)	Respondent's relevance for the winter storage	Respondent's personnel group	Interview method	Interview time
Company representative, A	Owner of the business, A1	Top management	Face-to-face	25.4.2021
Current customer, B	Motor yacht currently stored at SYS, B1	Top management	Microsoft Teams	26.4.2021
Current and potential customer, BC	Motor Yacht located at sea area, BC1	Middle management	Email	13.4.2021
Current and potential customer, BC	Motor yacht currently stored at SYS and other one located at sea area, BC2	Top management	Microsoft Teams	23.4.2021
Potential customer, C	Motor yacht located at sea area, C1	Middle management	Microsoft Teams	22.4.2021
Potential customer, C	Motor yacht located at sea area, C2	Specialist	Face-to-face	24.4.2021
Potential customer, C	Motor yacht located at sea area, C3	Entrepreneur	Microsoft Teams	26.4.2021
Potential customer, C	Motor yacht located at sea area C4	Entrepreneur	Face-to-face	27.4.2021

Table 4. Information of interviewees

3.3 Data analysis methods

Günther, Hasanen and Juhila (2021) describe the data analysis method as a concrete way in which the data is analyzed. The selected analysis method shall be in alignment with the research

problem, the theoretical framework and the data collected and thus cannot be selected randomly. Thematic analysis and coding are examples of the basic qualitative data analysis methods and these can be considered as methods of content analysis. (Günther et al. 2021)

Data analysis method used in this research is thematic analysis and according to Juhila (2021) it is used especially when analyzing interview data. It is about examining data and then connecting and highlighting common themes that are relevant to research problem. When using this approach, quotations from the data (and in this case from the interviews), are presented in empirical part in order to provide the reader with justifications for the thematic basis. (Juhila 2021) To succeed in thematic analysis, familiarization with the topic is extremely important in order to recognize themes and patterns (Saunders et al. 2016, 580). If semi-structured interviews are used, the interviewer shall make notes during the interview (Saunders & Lewis 2012, 159) and therefore the analysis part starts at the same time as the data collection itself.

The following figure (6) represents a step by step guide regarding the implementation of this qualitative research.

| 1. Planning |
| Forming the research question |

| 2. Familiarization with the topic |
| Collecting secondary data |

| 3. Empirical data collection |
| Semi-structured interviews (documented) |

| 4. Data analysis |
| Grouping qualitative material and forming themes from data |

| 5. Reporting |
| Reflection on primary and secondary data and answering research question |
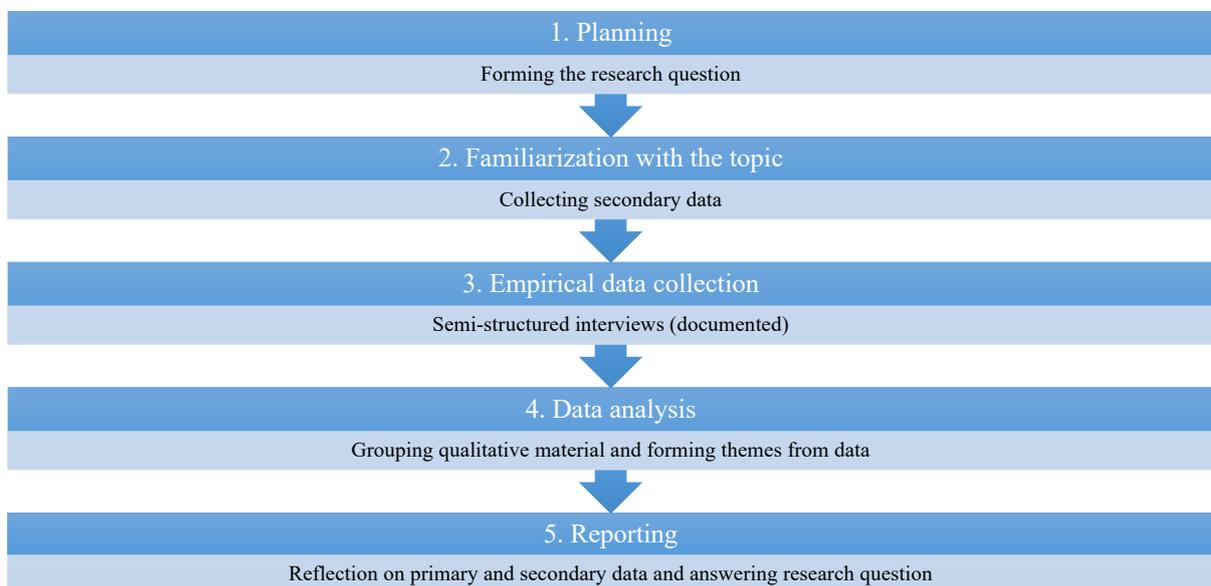
Figure 7. Implementation of this qualitative research

Before the empirical data collection, the author planned the interview questions around specific themes (see Appendix 2-3) based on the literature review and the research questions. As it was semi-structured interview, it was important to cover all the necessary themes as there was no structured list of the questions. Themes were planned in a way that they contribute to the aim

which was to create a strategy for expansion to a new market. The following figure 8 presents the empirical data collection process.
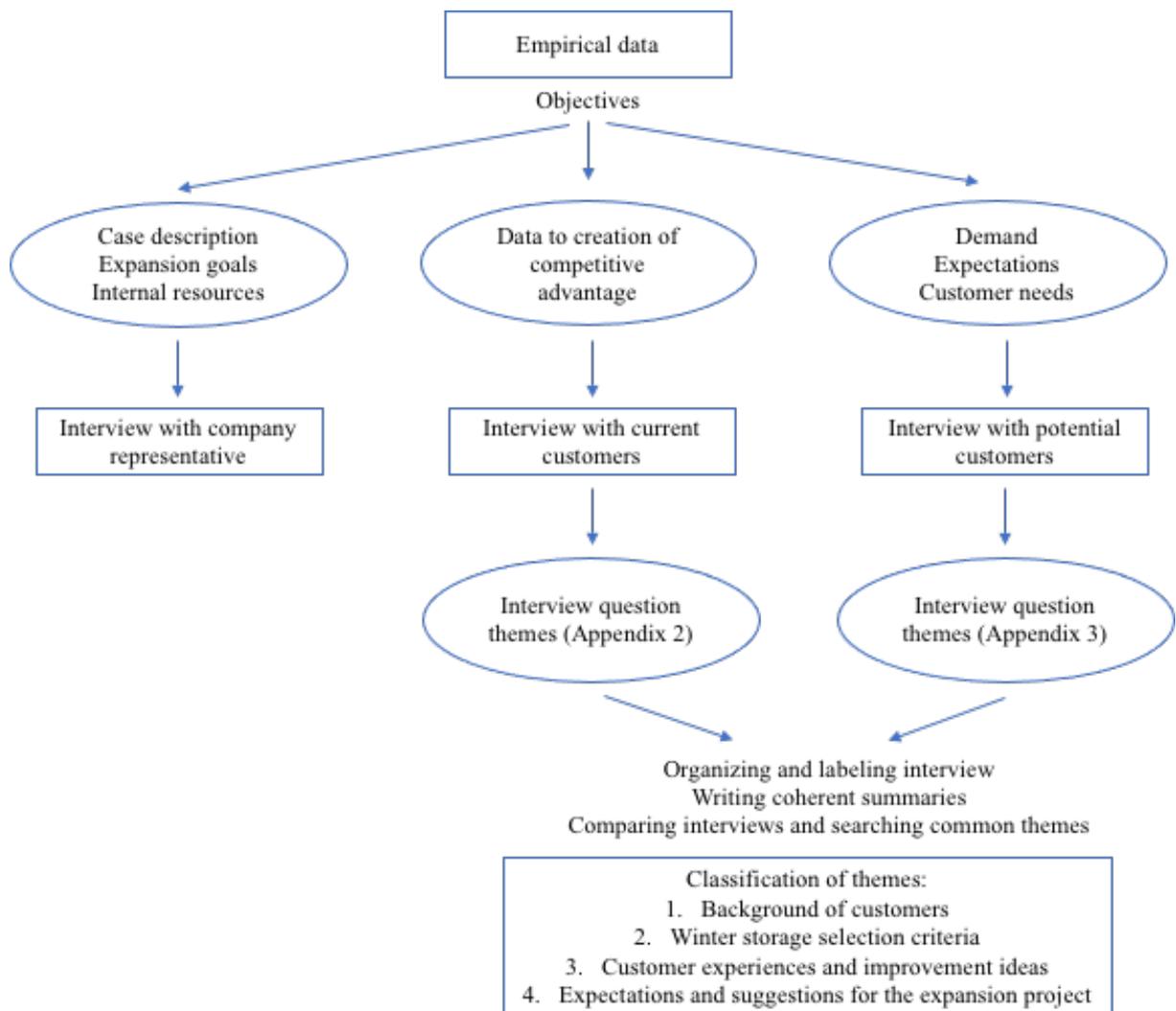
Figure 8. Empirical data collection formation

The following steps show the data analysis process and explains what is done in each step of the way.

Step 1. Documenting/audiotaping interview and making notes

Step 2. Getting familiar with the data by re-listening and editing notes

Step 3. Labeling and organizing the recording by searching broader themes

Step 4. Reviewing themes and defining them

Step 5. Writing coherent summary of the interview and collecting essential quotes

Step 6. Comparing interview summaries and finding common patterns

Step 7. Creating coherent findings of all interviews

As noted, data was only documented by audiotaping and not transcribed as it would have been inefficient as the aim was to get only content to each theme. Halcomb and Davidson (2006) also argue that thematic analysis does not require strict verbal transcript as it attempts to distinguish common ideas from the data set. However, direct quotations from the interviews are presented in findings to provide justifications as Juhila (2021) recommends. Saunders and Lewis (2012, 159) suggested making notes during the interview so this was part of the process. Data analysis is a multistage process and it begins when the researcher dives into it by first familiarizing oneself with the data and developing an overall picture of it (Günther et al. 2021). After this, note editing and labeling the recording occurred and content to each broader theme was created. Themes were first formulated in more detail and later into larger entities to better support the objectives of the research.

The actual aim was to get data to creation of competitive advantage from the current customers and data to expectations and demand forecasts from potential customers. The interviews provided answers regarding demand, Estonian market, factors when selecting storage units, customer experiences and to their needs and wants. When coherent summary of each interview was created, they were all compared and common patterns were found. Meaning that different factors were identified and then grouped to larger categories such as 1) background of the customers, 2) winter storage selection criteria, 3) customer experiences and improvement ideas 4) expectations and suggestions for the expansion project.

In more detail, classification of empirical data proceeds as follows:
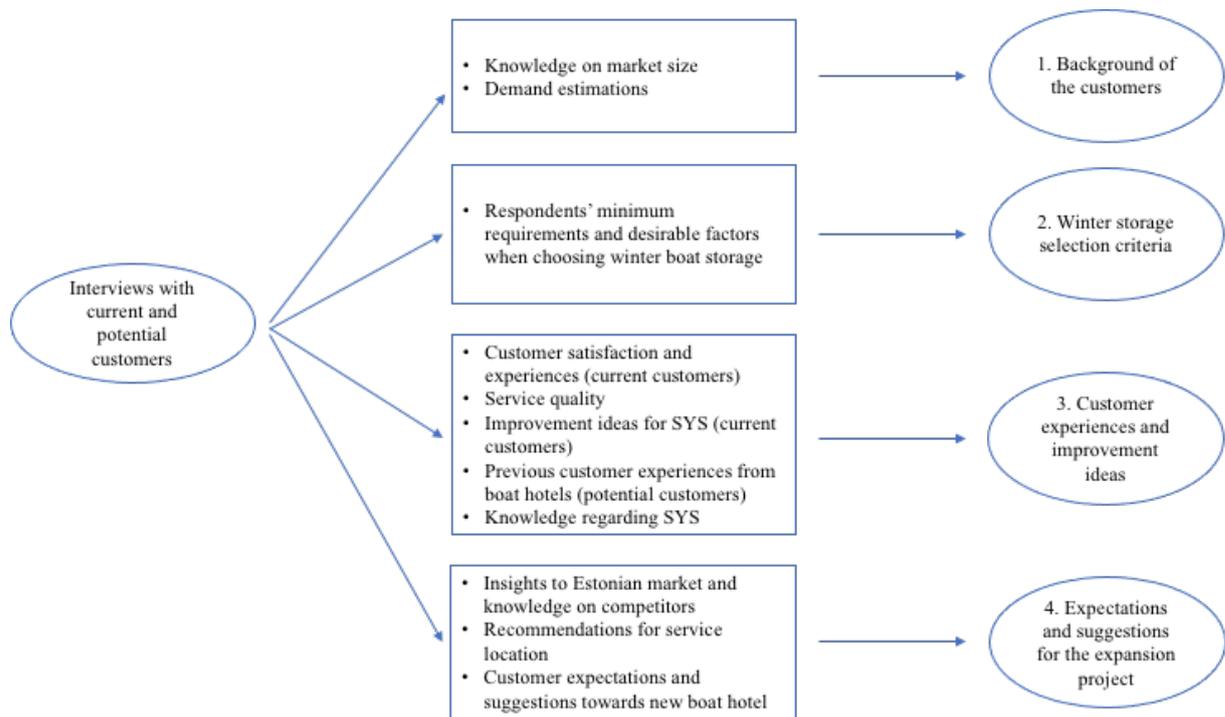
Figure 9. Classification of interview data

These four themes were the most significant and therefore everything that was related to each of the broader categories where collected and presented in findings. Especially winter storage selection criteria and customer experiences and improvement ideas help the company to recognize its internal resources and moreover, work as the basis of creating competitive advantage and helping the company to decide the right entry mode. Then again customer expectations help the company to understand the customer needs and thus gain bigger market share and succeed in the expansion. More detailed explanation for the factors is found in findings. To sum up, the analysis process works in a way that all relevant factors are collected and presented under larger themes so that the company can then decide whether it can pursue the expansion, answer the customer needs and see whether there is a lack of some resources.

3.4 Reliability and validity

According to Piesala (2016), Yin (2003) states that construct validity, internal validity, external validity and reliability are four characteristics that must be considered in order to guarantee the quality of case study research design. What is meant by the construct validity, Yin (2003) recommends using many different sources of evidence so that the research will be valid by the construct (Yin 2003, referenced in Piesala 2016). Simons (2009) argues that people who are

holding a key position regarding the case should be interviewed since this adds the validity for the research and moreover the purpose of the interview is to understand the case and not to generalize it to the whole population. Therefore, this study relies on multiple sources of evidence, in order to cover wider range of issues and to guarantee that the method evaluates what it is supposed to evaluate. High level of validity is likely when using semi-structured interviews and specifically if the questions are clarified for the respondent. The idea is that the interviewee understands correctly the question and provides valid answers. (Saunders et al. 2016, 400)

What is meant by the reliability, Saunders et al. (2016, 398) describe it as being the same as repeatability, so in other terms it means that the research is reliable when it will give the same results repeatedly. However, using semi-structured interviews poses difficulties for the repeatability due to changing and dynamic nature of the interview questions. To overcome these difficulties, the research shall include precise research design and explanation regarding data collection. If these elements are taken into account in detail, it will indicate that the findings are reliable. (Saunders et al. 2016, 398) To offer consistent results, Yin (2003) suggests that as much of the data as possible should be documented and explained (Piesala 2016).

To add validity and reliability of the study, this research will rely on multiple sources of evidence and is therefore conducted by interviewing the case company representative as well as current and potential customers. By interviewing people who represent different roles in the case, it is possible to collect accurate and sufficient data and moreover, to add depth to the data collection and get wider perspectives due to diverse results. In addition, interviews were recorded so documentation was part of the process as suggested. Notes were taken at the same time as the interviews were conducted and re-listening and supplementing the notes occurred right after the interview to guarantee the quality of the research. Data saturation point was reached when seven interviews were conducted which means that the company can reliably start planning the expansion strategy.

4 CASE COMPANY AND ESTONIAN MARKET

Cuervo-Cazurra et al. (2016) emphasize the need for understanding the logic of choosing the motives and the specific target market to expand firm's operations. Castellacci (2010) states that companies that attempt to internationalize their operations overseas tend to be motivated by gaining access to networks and to production that is funded outside the home country as well as to advanced human resources. Bearing this in mind, this part of the paper presents the general information of the case company outlining its reasons for expansion and introducing the targeted region Estonia. Market analysis of Estonia will be briefly explained in order to gain market insights and understand the competitive environment.

4.1 Case description

SYS is a service business with a specialty in providing seasonal storage for boats in a modern boat hotel since 2012. It is located in lake Saimaa in Finland. In addition to winter storage services, SYS offers variety of different additional services such as docking, maintenance, repair and installations. Vessel inspections fire extinguisher inspection services and teak repair belong to additional services as well. A 2500 square meter storage unit provides space for approximately 60 yachts that are between 30 to 68-feet. The main business idea is therefore to offer a rental space that is determined by the dimensions of the yacht. Most of the targeted customers are form lake Saimaa area but largest customer volume brings the foreigners that are around one third of the customers. The competitive advantages of the case company are its central location in lake Saimaa as well as modern storage unit specially built and equipped for large yachts. There are some rival companies but as indicated by the company representative: *"based on the financials, we stand out from the competitors and we consider this as a reliable family business". Similar storage units are mainly placed in the seaside and thus there is no direct competition in lake Saimaa area.* (A1)

SYS was founded in 2011 and since then it has operated as a privately owned family business, employing two people. CEO and the chairman of the Board runs the business, however, the payroll of the company does not include either of the representatives. Company representatives' previous boating background sparked the start for this business, and it was a passion project from their side to offer something new and modern for fellow boat owners. Besides that, the

founders established the service to meet their needs as well. Initially the customers accumulated from the network gained through the hobby and eventually word-of-mouth and marketing through social media has played a role in attracting customers. The boat hotel has been fully booked since its opening which shows the company's ability to reach customers. (A1)

It is a solvent company and it is becoming increasingly more solvent, as evidenced by its steady levels of growing revenues. Considering the agreements made with the company, information of the financials remain confidential, but according to company representatives, the company is doing well, and it is in favorable financial position to enter a new foreign market. The company is a limited liability company and the family investment company owns all the shares in the case company. The limitation of the domestic market made the company thinking of expansion. Additionally, in view of the fact that COVID-19 restricted the border crossing points, especially foreign customers had difficulties transporting the boats to lake Saimaa and vice versa. For this reason, a second service point located in more international setting would be preferable and also due to the reason that there is tightening competition on the domestic market. The current business model strongly relies on reliable subcontractors and all routine work is outsourced to them. There are also many specialized subcontractors for maintenance work. The case company wants to be respected for their service quality and safety is one of the key elements to support this aim. Safety for example means using the slip when lifting and launching the vessel as many of their current competitors use the hoist which is considered to put pressure for the vessel and therefore causing unnecessary threats. (A1) The company representative points out the following in the interview:

"We aim at establishing and developing customer relations, by providing personalized and supportive services. We offer for example consultancy, private transportation, shopping, boat refueling and inspection services if necessary. Hereby we gain trust with the customer." (A1)

Based on the vision of company representatives, they wish to maintain a quality-conscious brand and thus build a similar one to the second service point. However, the company representative has stated in the interview that they are ready to consider joint venture possibility due to risk-neutral firm nature however, bearing in mind that a service that perfectly meets the needs shall be built from the scratch. The choice regarding the preferred foreign market is based on the cost efficiency and motives for expansion are with reference to gaining access to new

customers and increasing revenues. The company representative believes that Estonia has a central location for the potential customers. The only challenge when crossing borders is to find new reliable subcontractors. (A1)

4.2 Target market analysis

Market research is used to understand the market attractiveness and to analyze other factors such as cultural and regulatory environment and trade barriers. As developed economy, market attractiveness, and geocultural and political similarity (Whitelock & Jobber 2004) were mentioned as promoting factors for internationalization, factors such as GDP, growth rate, competition and factors related to political and geocultural environment are defined. In this research, the case company will try to enter Estonian market due to cost-effectiveness and existing demand. Choice of the target market has evolved from the case company.

Estonia as a target market

Estonia is located in Eastern Europe and surrounded by Latvia and Russia. Population of Estonia is only around 1,3 million and negative population growth has been part in recent years. Estonia's capital, Tallinn, accounts 410 000 inhabitants which is nearly one third of the population. Re-establishment of independence of the Republic of Estonia took place on 1991 and therefore approximately one third of the population speaks Russian since the country was under Russian authority for so long. However, official language is Estonian. In the year 2004 Estonia became an EU and NATO member and joined the Eurozone in 2011. (Statista 2021)

Geoculturally the countries, or at least the capitals of Finland and Estonia are similar. Distance between Helsinki and Tallinn is around 80 kilometers and it is reached by 1.5-hour ferry ride. There has been a continual decrease in transportation expenses. EURES (2021) states that the proximity for culture, language, history and region offers great incentives for social and economic collaboration. Finnish and Estonian language share around 60% of similar words as they belong to same Finno-Ugrian group. (EURES 2021)

What comes to Estonia's economic position, its GDP is 31.48 billion USD and GDP per capita is 23,757.62 USD. Rate of inflation is 2.27 percent, which is compared to the previous year. (Statista 2021) According to Coface (2021), the GDP growth rate in 2021 was 3.4 which shows

that Estonia is an extremely favorable business environment. The country risk assessment shows that Estonia belongs to category A3, which is between low and satisfactory, meaning that it is in advisable level to cover the risks (Coface 2021). Service industry formulates the largest economic sector by contributing around 70 percent to country's GDP. Estonia has a variety of different trading partners but the main import and export partner to Estonia remains to be Finland which means these countries share good trade relations with one another to do business. (Statista 2021)

Furthermore, Estonia has a high level of human resources. There is continuous increase in employment rates which is why the economy is developing rapidly. (EURES 2021) Also the fact that Skype was created by Estonians in 2003, Estonia has, since then, been known for its growing technology industry and people started to recognize the country the same way as Finland was known for Nokia, but now Estonia was known for Skype (Microsoft.com 2021). Estonia is among the most advanced digital societies in the world, and this is also due to their newly built e-Estonia system, where majority of governmental services are online based (E-estonia 2021).

In respect to rivals, there are many but only one, Haven Kakumäe (2021) that most matches the services that the case company offers as well. Most of the competitors operate in the area of the capital, Tallinn, and all of them being local providers. Due to Haven Kakumäe's modern storage and high-tech engineer systems (Haven Kakumäe 2021), Haven Kakumäe is strong in competition in the pleasure boating winter storage sector. The winter storage services offer lifting with hoist, cleaning, transportation to the storage hangar, additional services and maintenance as well as Spring launching in May. They note that their qualified team is able to complete any boat service, trusted suppliers are used and heated storage, fire protection and surveillance system guarantee the safety of boats and work as their competitive advantage. (Haven Kakumäe 2021)

5 FINDINGS

This part of the paper presents the empirical findings of the case study by showing the results of the seven interviews collected from the current and potential customers. Interview questions were semi-structured so there was only a list of themes to follow in the interview. Even though the interviews were conducted to two different groups of people, current and potential customers, the answers from all the interviewees are combined and put together under specific themes for the purpose of understanding the case in the best possible manner.

As mentioned in the data analysis process, thematic approach is used and all interviews were audiotaped and detailed subcategories were made. Afterwards coherent summaries were made from which common patterns were found and the main themes were classified as 1) background of the respondents, 2) winter storage selection criteria, 3) customer experiences and improvement ideas 4) expectations and suggestions for the expansion project. The results of these themes are discussed in these four sections.

5.1 Background of the respondents

Altogether, seven interviews were conducted and the first few questions of the interview consisted of gathering information about the customers and the location of their boats. This part of the findings provides invaluable knowledge on the demand estimations and knowledge on current market situation and size by receiving knowledge where potential customers are currently storing their boats. Interviewees have all different backgrounds, but they all share common interest which is boating. Naturally, as three of the respondents were current customers, they are currently storing their boats at the case company's winter storage except one who was not able to cross the borders on 2020 season, so the boat was stored in Estonia. However, he is still considered as current customer due to previous agreements and contracts. This client has been a customer of SYS since 2015. The other two current customers have stored their yachts at SYS for now three seasons. Two of the current customers are considered also as potential customers due to having boats locating at sea area as well. Both customers are currently storing them in Estonia.

One of the current customers, note in an interview:

"We do have the other boat stored in Estonia for about three years now and let's say that there are indeed few similar businesses offering services, so the competition has intensified to some extent. – Haven Kakumäe is one of the finest in the Gulf of Finland and I have asked some offers form there."

From potential customers, two of them currently store their boats in Hanko, and two of them in Helsinki area. All of them state that they have centralized their hobby to Helsinki – Hanko archipelago region. Two of them are looking for new boat storage, however, all of them are open to consider new storages and preferably something that is located closed in Helsinki area.

5.2 Winter storage selection criteria

The interviewees were asked questions regarding the winter storage selection criteria which tells respondents' minimum requirements for choosing specific service provider. By finding out the factors when choosing the boat hotel, it enables the case firm to create competitive advantage and define to correct entry mode. Furthermore, this section offers some adding value factors for the case company.

Respondents state that convenience, reputation, quality, possibility to maintenance and authorized brand service, location and price are one of the key factors that they consider when selecting the winter storage for their boats. All additional services are important but especially the fact that you can have everything from the same place.

Respondents state the following:

"Of course, reputation is one of the key factors and I try to find out in advance what is the status and it is also linked to suitability and quality of the storage unit in a sense that the boat shall be in a place that one can believe it is safely stored and safely launched. It has to be in a safe environment so that strangers and unauthorized people cannot enter the boat. -- Safety, know-how and professionalism are the important factors in lifting and launching and secondly comes the maintenance work and their availability and overall competitiveness. -- Reaching

the storage affects a lot on the decision, which means the logistics side of it if one has to travel back with another transport system. -- Also, the weather conditions during fall". (B1)

"The winter storage shall be convenient to reach and not far from home, also technical services, repairs and cleaning is important and that it is provided in place. It shall be clean, warm and neatly storage from inside." (BC1)

"In addition to the price, the location yes, and reliability and security are important and that we as customers know that things work" (C2)

"The storage hangar and the provider shall be reliable, the dockings are handled professionally, there will be no damages and the hangar must be heated. Immediately after that comes in mind the necessary additional services which means maintenance and documentation of the work. In boat maintenances, the documentation is sometimes handled with careless attitude so it would be nice if there was a work order with details of vessel repairs and a report that shows what has been done. -- The closer the better, but for me it's not essential, more important that it is a good place." (C3)

What is meant by convenience, it means that the storage is easily reached both logistically and that the location is suitable and close enough for the customer. Also access to additional services such as maintenance and cleaning services are appreciated if the winter storage can provide all at once in the same place. Some respondents noted that a pick-up and drop-off service is a factor that they would wish the firm to offer.

Reputation and the quality of the service is searched in advance and all the hangar and harbor features must be well designed and professional which means also that it is easy to arrive alone. Maintenance is also linked to quality as authorized brand services and transparency in them are appreciated. Interviewees emphasize the importance of know-how in maintenance work as all boats share different characteristics, so it requires a lot of expertise from the technicians.
Some respondents noted that they have acknowledged a lot of vague service providers in the field and some of the boat hotels are poorly branded. What comes to the location and the price, people prefer shorter distance between the customer residence and the boat storage but are

willing to be flexible about the location if the price is lower. Transparency in invoicing is also desired.

5.3 Customer experiences and improvement ideas

The interviewees were asked to provide answers to questions which covered themes such as customer experiences and improvement ideas. As the questions were formulated differently to current and potential customers, this part is divided to two different sections. By doing this the customer experiences from SYS are clearly separated from the experiences from other boat hotels. Moreover, potential customers were asked if they had heard of the case company which shows whether or not the case company has gained any brand recognition in other locations. This section will be beneficial for the case company in a way that they can acknowledge their internal resources and strengths, which can be used when creating competitive advantage in the new market and moreover, it will help the company to differentiate its services in the second service point.

5.3.1   Customer experiences and improvement ideas (current customers)

Current customer mainly note that they consider SYS as a reliable and professional partner and they are all very satisfied with the quality of the service. All of them highlighted the communication and the fact that everything is easily arranged at all times and additional services such as fueling the vessel has been possible. To support the statement, one of the respondents noted the following:

"Convenience in communication, always in touch and ready to solve non-standard issues as well." (BC1)

Convenience, flexibility, quickness and proactive way of working, transparency in invoicing, modern hangar and easily accessible harbor were factors that were highlighted in the interviews. What is meant by the proactive way of working is that many of the respondents noted that the service provider notifies upcoming maintenance in advance and keeps the customer up to date. Respondent B1 pointed out that this brand has gained some appreciation in Southern Finland as well.

What comes to improvements, the owner of a bigger yacht notes the following:

"Probably the best way to improve your service could be enlargement of the existing hangar (especially height) or if it is not possible maybe build one more hangar for larger boats. This way you will attract more customers." (BC1)

Whereas customer B1 comments the following:

"Perhaps it could be further improved by what kind of network of expertise is available so for example marketing could be improved. – Maybe some services and maintenance work could be better pointed out. – The problem is that in July and during the holiday season it is hard to get contact to consultancy and expert service. Therefore, you could train newcomers in the field since after all, it is important to get quick contact and help from boater's perspective. – Perhaps that service side could be developed since it would provide a sense of security and consultancy." (B1)

This is mentioned as an adding value factors and an improvement idea for the boat storage.

5.3.2   Customer experiences and improvement ideas (potential customers)

Potential customers noted that half of them had received bad experiences from previous winter storage services and it turned out that the reputation from this specific industry is poor. Many of them stated that the prices are high, and the locations are not that good, meaning that it takes a lot of time to move the boat from the summer location to the winter storage. The following comments are highlighted from the interviews:

"Perhaps in winter boat storage I have noticed the hassle as a problem since there is no one to actually carrying out the job professionally. What this means in practice, is that one cannot trust the schedule or that things have been done correctly which then causes uncertainty that there will be problems for the upcoming boating season due to lack of correct work." (C3)

"I have had bad experiences, the last time the canopy of the boat had been broken, the logos had detached from the sides of the boat, too much oil had been put into the engines, so this shows a bit unprofessional image of the industry. Careless, no agreed work has been done. – A few mechanics on the spot, but otherwise no transparency regarding services, no reports of

maintenance performed. So I do not know who has maintained my own boat, I do not get any maintenance report which would be really important to me, to get some report to see what has been done. I have to be quite proactive by myself in order for something to work." (C4)

Majority of potential customer had heard of the case company which shows that the firm has gained some brand recognition outside its home market. The respondents mentioned the following comments:

"I have heard the name and seen the logo, but pretty much at the level of hearing. It seems like a quality-conscious company, but I have not got acquainted with it." (C1)

"The name has come up in conversations with people who have centralized their hobby in Eastern Finland. In fact, I have not got to know the winter storage as it is not an option for us due to location, but what I have heard, that it is a good service." (C2)

"The image of SYS is positive and professional. The surroundings are goods, but of course as the location is Savonlinna the purchasing of services can be harder than it would be in a place with more supply which means that the maintenance person has to come from somewhere and the lifts have to be centralized to specific dates but overall a positive image." (C3)

5.4 Expectations and suggestions for expansion project

The last few minutes of the interviews focused on the expansion theme and the market inquiry. Insights to Estonian market, recommendations for the service location and expectations and suggestions towards the entry are presented. This part helps the case company to gain insights to customer needs and thus gain knowledge to succeed in the expansion. Furthermore, customer expectations help the decision regarding the entry mode choice.

Interviewees were asked questions regarding the Estonian market and whether they think that small Finnish based service business would have possibilities to succeed there. All six respondents stated that they believe that this case company would be likely to succeed in Estonia and that it provides growth opportunities, however, they should perform better than its competitors. Two respondents who are also current customers of the case company and know

its quality, provide invaluable contribution to this part as they have been both storing their boats in Estonia. As mentioned earlier, Haven Kakumäe remains to be the biggest competitor in the area and therefore the following comments are highlighted:

"There are three advantages there: size of the hangar which gives opportunity to move in any boat without dismantling it, infrastructure of the harbor itself and lower price probably because of the taxes." (BC1)

"But let's say that if you get the kind of high-quality service you already have to there, there will probably be possibilities to succeed" (BC2)

Moreover, respondents were asked suggestions for the service location. All of them state that since prices are so high in Helsinki, most of them store their boats either in Tallinn or Hanko. When considering these locations, Estonia is closer. All of the respondents stated Tallinn as desired location due to the fact that it has gained a lot of visibility in the eyes of Finns and they consider it as familiar, safe and logical choice. What is meant by logical choice, is that the access to ferry is easiest from Tallinn.

"Helsinki is the largest concentration for large boats, so those that are 10 meters and up. -- Therefore, I consider Tallinn as logical option as it is closest to Helsinki. I would say the distance to Haapsalu is the maximum and still reachable from Turku and Helsinki." (BC2)

All respondents state that while the service would be in international environment, all of the customers would be comfortable doing business in English. Many of the respondents also mentioned the fact that majority of Estonians also understand and speak Finnish. Half of the respondents have some experiences from Estonian market, and they are all interested in the new concept, however some people have some concerns. Overall expectations that stand out from the interviews are in relation to price, convenience and logistics, communication, pick-up and drop-off service, authorized maintenance, modern hangar and features according to standards, reliability and transparency in service. Price is the first factor to be emphasized. According to the interviewees, work, maintenance, cleaning and all other work should be cheaper due to tax reasons.

"Estonia has gained visibility in this area since prices are lower and in Finland it is not possible to reach the same price range levels." (BC2)

Potential customers hope that the service unit would be logistically reachable and conveniently arranged, which also means easy access to the ferry back Helsinki for example. Convenience was also related to paper work which could be done electronically and via different forms. As the service would work in international markets, the level of communication is essential. Half of the respondents indicated that the pick-up and drop-off service would be appreciated and needed whereas another half state that it is unnecessary.

"I wouldn't dare to let someone else drive my boat and besides that it's a fun season ending and opening ritual". (C4)

"I don't consider the pick-up and drop-off service as bad, I know that especially last spring when people were not able to get their boats, there was a similar drop-off service available." (BC2)

However, there were some concerns and factors that may put pressure on the business. Shipping on the high seas concerns some respondents since also weather conditions are linked to this. In addition, there is some uncertainty regarding the maintenance work and the quality of it. Surveillance camera system was also suggested to be installed since it would increase the feeling of security. What comes to other suggestions, differentiation from competitors was mentioned and the technical maintenance should be top class. It was also suggested to check Sweden as potential market. Finally, the fact that not all respondents trust the Estonians to do their work, they emphasized the importance of having a Finnish provider in the market to add the feeling of trustworthiness.

"Of course, if there was a domestic operator with their own references, then it might be safer to bring the boat there". (C3)

6 DISCUSSION

In this chapter the literature review and previous findings are further discussed to elaborate on the empirics of this case study. As the research is conducted as single case study, the empirics contain the chapter four and five which are mirrored against the literature provided in chapter two. The analysis of the interviews, other sources of information like literature review and the market overview that were collected and reviewed during this research, allowed the author to create important perceptions which are analyzed in this part. This discussion is divided to two parts; the discussion part itself and the answers to research questions.

6.1 Discussion

As this is a case study and the aim is to create a go-to market plan for the operating service firm, this part will proceed by first discussing about the knowledge and opportunities from which can be drawn conclusions. What kind of knowledge there shall be before internationalizing and what opportunities the host market offers. Secondly, the firm's internal resources are discussed and more detailed analysis regarding the findings is provided. This study shows that both external and internal factors significantly affect the choice of entry mode and therefore these concepts are formulated as research questions and discussed in more detail in the second section of this chapter.

As SME service internationalization has gained visibility only during recent years (Dabić et al. 2020; Toivonen et al. 2009) there is not that much of remarkable studies regarding the topic. However, as European Commission (2021a) states, the SMEs are the backbone of Europe's economy, it is important to study the concept and gain knowledge on SME internationalization. Before expanding the business across national borders, Cuervo-Cazurra et al. (2016) highlighted the need to understand the target market selection logic. As it was stated, the case company had already decided to expand to Estonia due to cost-effectiveness and existing demand and the aim of this research was to gain market insights to support the expansion there. The company representative believed that Estonia would provide some growth opportunities.

The stable development and growth in Estonia make the market extremely attractive. Furthermore, it was discussed in the findings that Tallinn would be the best choice for such an expansion and the market research supports it as it is the most populous city of Estonia. Even

though Cankar et al. (2014) note that cultural and linguistic similarities are not seen as the most influencing factors in creating encouraging business environment for cross-border expansion, it is still beneficial to identify that geoculturally the countries are similar and what comes to the language barriers, they are also minimal as the languages share a lot of similarities. Moreover, many Estonians speak Finnish according to the interviews which then enables even better collaboration. Overall Estonia provides great incentives for social and economic collaboration (EURES 2021) due to good trade relations (Statista 2021), increased employment rates (EURES 2021), low country risk and good growth rate (Coface 2021).

Due to creation of Skype, it may have helped people to recognize Estonia as more attractive business environment and it clearly motivates more innovators and entrepreneurs nowadays. Another factor that adds the country's stability is the reliable financial system and the fact that Estonia joined the Euro which also enables easier collaboration for Finns. This way Finnish companies do not need to change the currency. Collaboration and acquiring knowledge on Estonian markets is easy due to their digital development and the e-government system. Estonians aim at moving everything to online which increases the feeling of accessibility. Moreover, this feature is considered as an essential concept in today's business world, as coronavirus presents problems for physical presence according to Ratten (2020). All things considered, the business environment is seen as favorable for the case company. The interviews indicate the same results, and there is belief that the case company could succeed in the market. However, there is a lot of competition in boating industry and especially in Estonia due to cost-effectiveness.

The competition in this specific field is tightening, but as the case company has noticed sudden increase in demand, new strategies shall be made. The company desires to maintain their high-quality service in the internationalization process and it was also pointed out in the interviews that this is one of the key factors why current customers are satisfied as well. However, as the brand value is important for the company, it naturally means greater ownership and according to Blomstermo et al. (2006) the company is more likely to choose high control mode then. Based on the company representative, they do not close the possibility for joint venture either. The company is thinking alternative ways to expand the business across borders but when it comes to international business, the firm does not share that much knowledge or expertise regarding it. Due to the intangible nature of this business, it means that the service must have a

local presence in the host country and the expansion process can be challenging according to Hofer and Baba (2018).

By understanding the service characteristics and their influence on internationalization behavior, it helps the decision regarding entry mode. Choosing the right entry mode can be crucial for the company's future success (Khojastehpour & Johns 2014). Uppsala model, network approach and resource-based view are used in this research to build the theoretical justifications. The figure 6 of this research shows the factors that influence the entry mode choice and based on it, all of the models are applicable for the expansion. There is no single theoretical model as also Carneiro et al. (2008) mention, but these theories can be applied to suit the specific case. However, as the Uppsala model targets the nearby countries and similar cultures, it contains a step by step process to increase revenues and market knowledge, and risk management is involved in this model, it can be applied to that extent. Moreover, even though the decision to internationalize is based on the increase in demand, the firm still follows the second strategy that Toivonen et al. (2009) suggested; gradual internationalization rather than the client-following strategy. It is the company's desire to increase revenues and not to follow customers, which again goes in line with the Uppsala model. Overall, the fact that the theories are evolving continuously makes it challenging to choose just one rather than mixing the theories. To support this statement, the inventers of Uppsala model have also updated their original version and applied more network perspective to it which makes it more applicable for businesses to use nowadays.

But how does the company do the decision regarding the entry mode? Factors that play a key role in service firm expansion are divided usually to internal and external factors and they depend on if the expansion goes beyond national borders. Main factors that have an influence on the entry mode choice are level of control (Blomstermo et al. (2006), risks, returns, resources, experience (Ekeledo & Sivakumar 2004) and market opportunities (Hollensen 2012, 225). As findings show, the market provides opportunities, company wishes to increase revenues and have control over its activities to remain as quality-conscious and therefore wholly owned subsidiary would be recommended based on the prior literature. However, as the company does not have international experience as a resource and risk-seeking is at neutral level, joint venture would support this best. Low control, which in other words means the collaboration modes would be advisable for the company as well, as demand uncertainty occurs to some extent due to lack of statistically significant results regarding the demand.

Gaining knowledge on customer experiences and expectations will shape company's internal resources and strengths, and thus helps the service to match the customer needs. It is good to customize the service to customer needs in order to attract more customers. Especially resource-based view provides justifications to the importance of creating firm-specific and unique competencies for the purpose of outperforming rival companies. What comes to the firm's resources, the interviews provided good amount of useful guidance to this. Expertise in the field, organizational competencies, financial resources and physical resources such as equipment and facility are identified as firm level internal resources. Expertise in the field means skilled labor and knowledge regarding industry, organizational competencies means the quality control and ability to create good company image whereas financial resources refer to the fact that the case company is solvent and financially able to expand its businesses across borders. Based on the customer experiences, factors such as flexibility, reliability, know-how, proactiveness, transparency in operations and in invoicing, convenience, service quality, communication, personal relationships with customers, safety and modern hangar were factors that interviewees emphasized and can be seen as company strengths. However, by identifying these firm's internal resources, they still do not guarantee the achievement of competitive advantage in the new market. These only help the firm to identify those factors it shall maintain and take advantage of. Although, as the company already offers personalized services, Amatulli et al. (2017) state that these specifically increase the customer loyalty as well as customer satisfaction which are essential when creating competitive advantage.

What comes to safety, findings of the interviews support the company representative's opinion of the safety of the boat lifting and launching. The case company uses the slip when lifting and launching the boat, whereas the biggest rival, Haven Kakumäe, uses the hoist and emphasizes the quality and safety of their lifts. Findings show that the hoist is indeed risky and can cause damages to the boat by for example detaching the logos from the sides. What this means is that the case company has better understanding of the safety standards and thus could contribute this knowledge if partnering with Haven Kakumäe or creating completive advantage out of it. Another factor relating to this competitor is that they have currently larger hangar, so they are able to attract bigger yachts and this way more customers.

Taking into account the case company's lack of international experience, Castellacci (2010) noted that human resources and networks usually work as a motivator to internationalize firm operations, which could be the case here as well. Taking into account the challenges connected to SMEs, it is good that SYS proved to be well-known and reliable operator in its market and has developed a loyal customer base. This increases the feeling that the case company is able to gain visibility in the new market as well. However, it takes time in the new market to create long-lasting partnerships with the clients but as it turns out there is existing demand in Estonian markets as well. The company representative stated in the interview that the challenge he sees is the fact that they have to search for reliable subcontractors as their current business model strongly relies on it. This, and the fact that customers would expect the same service quality that they have received in Finland will put pressure on the entry mode choice. Maintenance work for example was discussed to large extent in the interviews as it remains to be the important factor when selecting the winter boat storage. Many customers stated that they have not received proper maintenance and reports regarding it. Current customers stated that they have been happy with the maintenance quality and therefore this could be a factor in the new market to create differentiation. This goes in line with research provided by Amatulli et al. (2017) as they state that this kind of differentiated service could work as a competitive advantage in the new market. However, as discussed earlier, finding the reliable subcontractors can be difficult and poses threats for the case company. This threat could be avoided by using the joint venture as entry mode when the company gains access to already existing network and subcontractors.

In general, the reputation for this industry is poor which shows that demand exists for such high quality service. A decrease in demand for such service is not happening any time soon despite the fact that this industry is developing and facing changes. Due to Estonia's pricing levels, the competition is tightening there as well but all winter boat storage providers are local such as the Haven Kakumäe. Findings indicate, that uncertainty for such service occurs especially in Estonia and the customers would be more open-minded if there was a Finnish based operator. Moreover, the findings of this research support the results of the study provided by Amatulli et al. (2017) who provided invaluable contributions to this research from boating industry perspective.

6.2 Answers to research questions

The main objective of this study is to develop the most suitable and effective market entry plan for the case company. To achieve this objective, three supporting subquestions are presented in the beginning in order to have a deeper basis to answer the main question.

"What is the role of external factors in the choice of entry mode?"

Understanding the external factors, current business opportunities and barriers in Estonian market are important as they affect the entry mode choice.

External factors	Applied to Estonia	Level of impact on entry mode	Suggestion for market entry mode
Geoculture	Low differences and low distance	Middle	Acquisition, FDI
Country risk	Low / satisfactory	Middle	Joint Venture
Market attractiveness	High, developed economy and high growth rate	High	Acquisition, FDI
Government regulations	Good trade relations	Middle	Acquisition, FDI
Competitive intensity	High	Low	Joint Venture

Table 5. Findings on external factors

The external factors in table 5 are presented in theoretical part of the study and applied to the host market to understand the possibilities for each entry mode. Geoculture indicates the cultural and geographical distance. As the factor shows low differences and low distance it means the countries share similar cultural features and the company is able to reach the international market in reasonable timing and the expenses remain at lower level which indicates that the level of impact on entry mode is considered as middle. Acquisition and FDI best explain the expansion mode for this factor. However, the physical location puts some

pressure on the business as many customers would be arriving from Finland and shipping on the high seas between the countries would cause concerns for some clients.

Considering the country risk between the level low and satisfactory, the suggested mode of entry is joint venture as shared risks take part in this. The market attraction in Estonia shows that this market indeed provides business opportunities so acquisition and FDI are suggested as entry mode. Similarly, acquisition and FDI modes are considered as good option as the trade relations are good. Due to existing competition, joint venture would be better option if demand uncertainty would occur.

"What is the role of internal factors in the choice of entry mode?"

Understanding the firm's internal resources and competencies is important as they help determining the entry mode.

Internal factors	Applied to SYS	Level of impact on entry mode	Suggestion for market entry mode
Firm size (level of resource commitment)	Small	High	Joint Venture
Company mindset	International	High	Acquisition, FDI, Joint Venture
International knowledge and experience	Low and limited	High	Joint Venture
Risk aversion	Neutral	Low	Joint Venture
Control	High control	Middle	Acquisition, FDI

Table 6. Findings on internal factors

The internal factors in table 6 are presented in theoretical part of the study and applied to the case company to understand the possibilities for each entry mode. Since the firm size is small, there is lack of international knowledge and experience and the risk aversion is neutral it is recommended to use the joint venture mode. However, the company mindset is international, and the company representatives are open to new contacts, all modes of entries are considered relevant. As maintaining the reputation and the brand image is important to the case company,

the control is considered as high which indicates that acquisition and foreign direct investment would be possible options to enter the market.

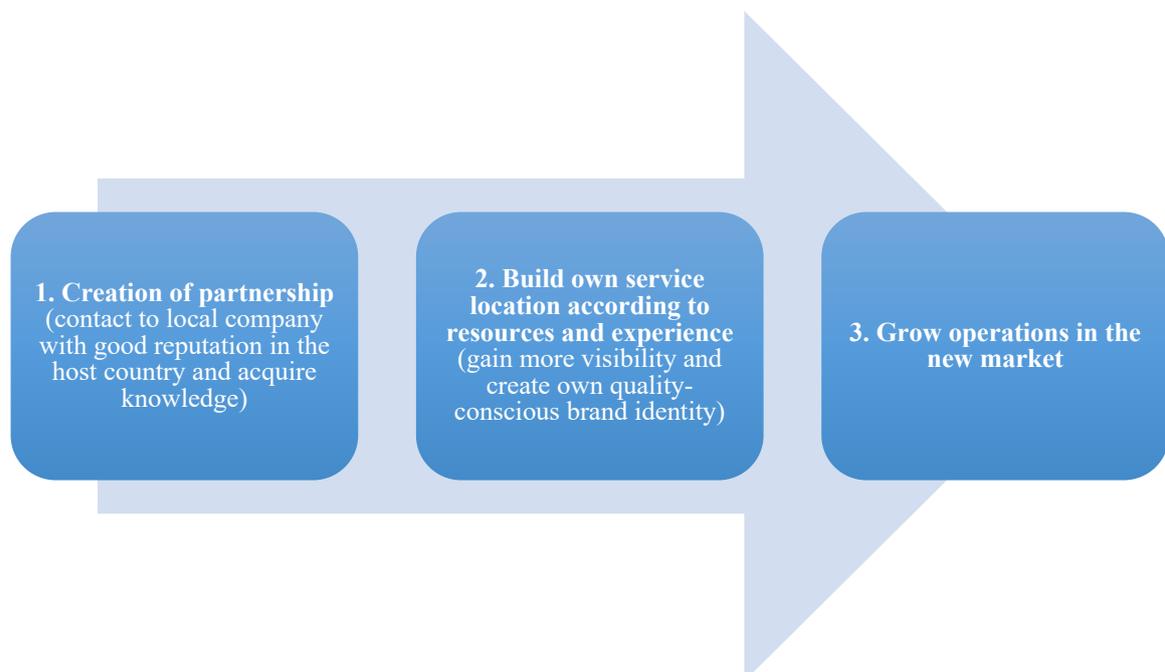"*How SYS shall perform its market entry to Estonian market?*"

This question represents the main research question of this thesis. The objective is to create a framework for most suitable and effective market entry mode to Estonia to support the expansion goals. Expansion goals are in relation to growth and cost-efficiency, gaining access to new customers and by this way increasing revenues. To succeed in the expansion, it is essential to gain knowledge on customer experiences and expectations as these work beneficial elements when matching the service to customer needs. The interviewees' comments provide significant findings to this part as their comments can be adjusted in creating competitive advantage and differentiating the service in the new market. Based on the findings of this question and the support of the first two questions, the service firm should be more capable performing its market entry to Estonia.

The first two research questions were supposed to work as supportive statements when deciding the actual entry mode. In terms of external factors, market attractiveness and the fact that the economy is developed have the highest degree of influence on the choice of entry mode. As the market attractiveness indicates to be good, the suggested entry mode would be either acquisition or FDI. Then again in terms of internal factors, firm size, company mindset and international knowledge and expertise have the highest degree of influence on the choice of entry mode. Based on these factors, joint venture would be advisable entry mode. If following the resource-based view, it is important to identify especially the internal resources as these help the company to succeed in the new market. Therefore, more emphasis is on joint venture mode.

Considering the international knowledge and experience, resource commitment, risk aversion and competitive intensity the case company should perform its market entry through small incremental steps. The step by step internationalization is best explained following the Uppsala model and especially the revised version which suggest that the company should develop at least one contact in the host market to become an insider. The firm shall first acquire more knowledge on the host market by partnering with local company with a good reputation, such as with Haven Kakumäe, and increase the resource commitment as it gains market knowledge.

Partnering with a firm that has good reputation is important as findings indicate that it is one of the first requirements the customer thinks as selection criteria along with quality, location, price, convenience, maintenance and access to authorized brand service. The location of this winter storage is Tallinn, which makes it convenient to reach.

Furthermore, this model is most applicable for this case company as the risk taking remains at low level as well. By following this joint venture entry mode, the expansion goals are also achievable. Especially cost-efficiency and gaining access to new customers is easier through already existing business, as it enables the business to allocate less resources and gain access to the existing customer base. This way the business growth is feasible, however, a step by step process, which means slower but less risky. Digital marketing is extremely important for businesses currently due to increase in online participation (Ratten 2020) and therefore partnering proves to be a good option as shared marketing takes place in this mode according to Hollensen (2012, 253-255). To further support this, findings indicate that the case company should focus and improve their marketing to attract more customers. The following figure (10) represents the step by step process towards the cross-border expansion.

1. Creation of partnership (contact to local company with good reputation in the host country and acquire knowledge)

2. Build own service location according to resources and experience (gain more visibility and create own quality-conscious brand identity)

3. Grow operations in the new market

Figure 10. Summary of the cross-border expansion

Even though the foreign direct investment would be preferred due to desire of full control and having the own brand identity, it is not reasonable. The partner model helps finding reliable subcontractors and shares the risk at the same time. Besides, this way the case company gains

faster access to both Estonian and Finnish customers, and gains visibility in both countries. Moreover, this model follows the three-phase model that Bose (2016) has created to explain the expansion process.

7 CONCLUSIONS

The final chapter of the paper summarizes the research. Theoretical contributions, practical implications as well as limitations and future research suggestions are also provided.

7.1 Summary

Despite the current economic situation around the world, there are some fields, such as the boating industry, that have received growing interest due to travel restrictions. An interesting theme in this research was that coronavirus has in fact, increased the demand in this specific industry although literature provides evidence for lowering demand. People have started to pay gratitude to boating as it is a popular activity in Finland during the summer time. This naturally causes demand for winter boat storages and therefore this research is conducted as a case study for small Finnish based service business providing seasonal storage for large yachts. In this research, the case company desires to enter Estonian market due to cost-effectiveness and therefore the most suitable entry mode is assessed. The aim is therefore to seek an understanding of the phenomenon. There are many more companies in Finland that are searching opportunities in neighboring countries and thus the relevance of this research is to increase general knowledge regarding Estonian market and assist local companies to choose right entry mode in the era of economic uncertainty. This small Baltic country presents many highly attractive attributes as it has developed its economy and taken giant steps to become more visible in the eyes of innovators and entrepreneurs.

In this thesis, existing internationalization theories and different market entry strategies focusing on SME service sector were reviewed. Furthermore, factors that influence the cross-border expansion were examined and the market research was conducted to have an overview of the host market. In order to find the best strategy for the expansion, qualitative approach was selected as it fits best the objectives. The actual empirical data for the research was collected through semi-structured interviews. The company representative, and both the current and specifically selected potential customers participated the interview.

As a conclusion, this internationalization is affected by knowledge, commitment and risk features and therefore it is best explained following the Uppsala internationalization model. The

case company should therefore perform its market entry by first partnering with a local operator and then gradually increase its resource commitment while gaining knowledge on the market.

7.2 Theoretical contributions

As Ratten (2020) mentioned that the international business has faced significant changes during the past year and the current economic situation poses challenges, barriers and risks for companies operating internationally, it is extremely important to study internationalization concepts during the pandemic and show which industries are able to succeed. This study shows that there is indeed potential and demand for such s small service business to expand its operations to Estonia. Therefore, the results of this research create an important theoretical contribution by discussing the service SME cross-border cooperation between Finland and Estonia. In more detail, there is evidence that this research contributes the lack of previous literature about the winter boat storage expansion.

Previous literature shows the reasons for service sector expansion and provides little knowledge for the boat industry growth but not in a way of expansion for winter boat storages. This research therefore contributes to the limited prior research by explaining how winter boat storages expand theoretically across national borders. First of all, the company shall become aware of the demand and secondly, do some market entry research and gain knowledge on the preferred market. The third step is to evaluate and develop the appropriate competencies and prepare and strategic framework for performance of the entry.

7.3 Practical implications

The main theme of this qualitative research was to seek an understanding of the phenomenon which led to interviewing people and exploring themes relevant to the company. The more often certain themes repeated they were collected and classified. When examining the generalizability of this study, it shall be observed that this research was only conducted for a specific need of a specific company. Despite of that, certain findings can be generalized and stated as reliable. Some other results would need further research to prove them be reliable. However, this research indicates that SME internationalization is indeed a complex process which means that there is no single theory that could be applied solely to this case. The literature

review also reveals a lack of research on the boating industry and SME service internationalizing in Europe.

More is known about developing competitiveness in boating sector as this research focuses on the same field. Little is known in the literature about adding value factors and about factors that can be used to improve the competitiveness in pleasure boating sector, but this research contributes to it. It is relevant knowledge as it was noted that the industry is growing. The author believes to have reached the significance of this research as it was to add knowledge regarding different entry strategies for boating industry and helping the industries recognize opportunities.

7.4 Limitations and future research direction

As this research is conducted as a single case study and focuses on specific field and specific market, it is rather obvious that it includes limitations on generalizability. The author decided not to compare any other host country than Estonia as it was the interest of the case company, and therefore future research could compensate this limitation. Despite the fact that the research was carried out for the exact need, some results are generalized and stated reliable. Some other results require further research to provide more reliability such as the demand.

The research did not include quantitative data, as the interviews reveal more specific data on expectations and with the help of them the company is able to decide whether it can achieve these expectations and pursue the expansion. Quantitative data could have supported in confirming more statistically significant results. Future research could therefore focus on this limitation and add broader scope for the potential market. In addition, market survey nor the demand estimation survey was not carried out. It indicates that there is no reliable source for assessing the actual demand. However, it was an interesting finding that the prior literature states that coronavirus is posing challenges for businesses and especially for service business and lowering demand, but as this is not the case, this concept could be further discussed. Future research could also address the creation of detailed partner network.

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APPENDICES

Appendix 1. Semi-structured interview with the company representative

Background of case company: Name, industry, establishment, motivation for establishment, revenues, management and owners

Competitive factors: Uniqueness, competitive factors, differentiation, target customers, brand identity, collaboration

About expansion: Current situation, factors and motives leading to internationalization, decision regarding the target market, resources allocated to internationalization

Appendix 2. Semi-structured interview with current customers

Factors when choosing winter storage space

Customer relationship/history with case company

Customer experiences

Customer satisfaction

Quality of service

Gaining insights to exceed customer experiences

Appendix 3. Semi-structured interview with potential customers

Current location of boat and storage unit

Customer satisfaction with current winter storage

Factors when choosing winter storage space

Existing knowledge regarding the case company

Thoughts on Estonian market and recommendations for new service location

Interest and expectations towards the new concept