



UNIVERSITY OF TWENTE.

# DECISION MAKING PROCESS TO INCREASE EXPORT FOR A CHINESE SME TO MATURE MARKETS

MASTER THESIS

MSC BUSINESS ADMINISTRATION

SANDER M. STAAL

UNIVERSITY OF TWENTE  
ENSCHEDE, THE NETHERLANDS

**Case study company** IS PET  
Guangzhou, China

**Supervisors University of Twente**

1<sup>st</sup>. dr. K. Zalewska-Kurek  
2<sup>nd</sup>. ir. J.W.L. van Benthem

**Supervisor IS PET**

高礼桃 (Mr. GAO Li Tao)

## MANAGEMENT SUMMARY

This research is focused on the development of a decision making process which Chinese Small and Medium Enterprises (SMEs) can use to increase export. The research question will be answered by conducting a case study at a Chinese SME (namely IS PET) where our model, derived from a literature study, will be tested.

IS PET, a medium-sized company in China is specialized in pet products. The company is interested in increasing export activities. At the end of 2009 they decided they wanted to start export to the Canadian market and increase export to the E.U. and U.S.A. market. For that purpose they request a usable decision making process which they can use. Combining this with the limited availability of research regarding Chinese SMEs the following research question has been formulated:

*“What decision making process for increasing export to mature markets is appropriate for a Chinese SME and how can IS PET increase its export to the selected countries?”*

We started our research by searching literature relevant to all the keywords defined in the research question, namely “Chinese SME”, “Export”, “Mature markets” and “Decision making process”. We continued by developing a model, from our literature review, which could be used to answer the research question. The model contains elements which can be used in an iterative way to optimize the decision making process used to increase export.

We started to test this developed model by participating in a case study company, namely IS PET. We gathered data by observations and interviews. From our data gathering we could conclude that our developed model can partially be used as a basis for increasing export to mature markets for Chinese SMEs. And from follow up contact with the case study company we found out that there was an increase in export for that year, compared to the previous year. However, that does not mean there is a casual relationship between our model and the increase in export at the case study company. This should be investigated further in future research.

IS PET has chosen to use direct export based on the fact that they could not find intermediates who have knowledge of dog clothes and that they wanted to maximize their profits. This decision might be analysed again based on all the negative and positive factors we listed for indirect and direct export. IS PET has also applied market sensing by defining the market, monitoring competition and assessing value. The defining the market has been done by IS PET by segmenting the market. However, from observations and interviews we found this was not based on any particular research so we suggest IS PET to dig deeper into it to make a funded decision for segmenting (or aggregating) the market. From pricing we found that IS PET applies some sort of pricing strategy however, this is not based on any research which we suggest IS PET to do. We also found that IS PET does promotion but they don't do anything with regard to “How much to say” and “How to say it”. So we recommend IS PET to try to focus more on this part of the model as well.

IS PET can increase its export to the selected countries by documenting decision making processes and following our developed model. From follow up contact with IS PET we found out that there was an increase in export for that year, compared to the previous year. However, as mentioned before,

this does not mean there is a casual relationship between our model and the increase in export at IS PET. This should be investigated further in future research.

This research contributes to theory and practice. The model we have created can be used by researchers to develop a more overall applicable model for Chinese SMEs. Secondly, IS PET will be able to use this research without any major changes and will be able to make better decisions which will lead to better results and an increase in export.

Regarding the improvements and recommendations of this research, the validity of the research could be improved by conducting more interviews and observing more case study companies. For future research, we also recommend to use “easier” language for the interviews since some questions were too hard to understand. Also, the semi-structured interviews we conducted could be changed to a method which gives the interviewees more freedom to talk about a subject without being asked questions. With this new method there will be the risk that not all the interviewers’ questions will be answered, but the information that the interviewer is receiving has a higher internal validity. We also recommend to observe from the sideline or to observe during participating when the role as researcher is unknown to the other employees. That way the employees will not be influenced by the knowledge of working with a researcher, which could increase the internal validity of the research. Finally, we recommend increasing the observing time for future research so larger parts of the decision making process can be observed.

We recommend IS PET to document more processes so future employees can easily read how to handle certain processes. We also recommend IS PET to keep using our model so decisions can be easily made. Regarding the pricing strategy of IS PET, we recommend IS PET to reevaluate their pricing strategy and look at other pricing strategies like pioneer pricing strategies and other entry-pricing strategies. Finally, we recommend IS PET to use a central storage of all documents for marketing, acquisition, etcetera so all data necessary for decisions can be easily retrieved.

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## STATEMENT OF ORIGINAL AUTHORSHIP

I, Sander M. Staal, hereby declare that this thesis does not contain any material previously published or written by anyone else than myself as I am aware of, except where due reference is made in the text.

Date: \_\_\_\_\_

\_\_\_\_\_

S.M. Staal



## FOREWORD

“I hear and I forget; I see and I remember; I do and I understand” as stated by Confucius, a Chinese thinker and social philosopher. The moral is that one can only understand something by trying things him/herself, as hopefully will be accomplished during this thesis research.

This thesis has been written from spring 2010 till winter 2010 under the supervision of my first supervisor dr. K. Zalewska-Kurek, University of Twente, and my second supervisor ir. J.W.L. van Benthem, University of Twente. Dr. ir. S. J. de Boer, University of Twente, has been my first supervisor, but because of personal reasons he could not continue to be my first supervisor.

My thesis focuses on the design and testing of a decision making process, the model, which can be used by a Chinese SME to increase export to mature markets. I have extended the thesis with a focus on the company IS PET where I have completed the observations for my thesis.

I want to thank my supervisors, dr. ir. S. J. de Boer, dr. K. Zalewska-Kurek and ir. J.W.L. van Benthem, for being a great help during the design and development of my thesis, Mr. GAO Li Tao from IS PET for being supportive, helping me with all my requests and giving me a wonderful two months, and of course my girlfriend Mandy for being so patient with me the last half year.

S.M. Staal

## 1 INTRODUCTION

In order to start the research we first need to define the research objectives, the research question and the research strategy. We have gathered data for our research at a Chinese company, namely IS PET. We start by giving a background on the Chinese company in the following section.

### *1.1 Background*

IS PET is a Chinese medium-sized company which started in 2002, with about 30 employees, which is specialized in manufacturing pet clothes, pet carriers, pet beds, pet plush toys, etcetera. The company focuses specifically on dogs and has a diverse assortment. The company does in-house sample making, material purchasing, pattern cutting, printing (and embroidery), sewing, packing and quality control (Appendix A.a). Partners supply fabrics, buttons, zippers (Velcro), label printings and bags (Appendix A.b).

The company sells its products to E.U. countries, East Asia countries, U.S.A. and Latin America by using the seaport of Hong Kong and sending them by mail. Because of the location in Guangzhou, close to Hong Kong, they can quickly deliver products worldwide to wholesalers/retailers (as can be seen in Appendix A.c). The wholesalers sell the products directly to the customer or to stores, who sell it to the customers.

The company is interested in increasing export activities. At the end of 2009 they decided they wanted to start export to the Canadian market and increase export to the E.U. and U.S.A. market where they export, respectively, 65% and 8% of the products.

### *1.2 Objective*

The practical objective of this research is that IS PET will have an increase in sales, after this research, in the pet attributes sector. The expectations of IS PET are that the increase in sales will result in an increase in profit.

The scientific objective of this research is to contribute to the current research and theories regarding SMEs. The gathered knowledge will be used to assist IS PET in increasing/starting export activities in the E.U., U.S.A. and Canadian markets, by developing and applying a method which a medium-sized Chinese company can use to increase export in the E.U., U.S.A. and Canadian markets.

### *1.3 Research question*

In the Asia-Pacific Economic Cooperation (APEC) region, Small and Medium-sized Enterprises (SMEs) account for around 90 percent of all businesses and employees, and as much as 60 percent of the work force (Asia-Pacific Economic Cooperation, 2009). At present, they generate around 30 percent of exports (ADBInstitute, 2010; Asia-Pacific Economic Cooperation, 2009).

The company, IS PET, wants to increase export to the E.U., U.S.A. and Canadian markets. The reason for exporting to these markets is that IS PET thinks they can increase market share in the E.U. and U.S.A. market, and that they can get a high market share in Canada. However, they do not have any arguments for it.

The markets, where IS PET wants to increase export to, can all be defined as mature markets (Maddison, 1952; Norton, 2001; Rostow, 1959). IS PET wants to have a decision making process they can use in order to increase/start the export to the above named markets.

In order to keep the research academically relevant and broad enough to find information, the following research question has been formulated:

*“What decision making process for increasing export to mature markets is appropriate for a Chinese SME and how can IS PET increase its export to the selected countries?”*

Looking at the fact that at the moment SMEs in the APEC region only generate around 30 percent of exports (ADBInstitute, 2010; Asia-Pacific Economic Cooperation, 2009), it can be said that the research question is relevant for Chinese SMEs. The APEC has setup a Small and Medium-sized Enterprises Working Group (SMEWG) to encourage the development of SMEs and to help build capacity to engage in international trade (Asia-Pacific Economic Cooperation, 2009).

#### *1.4 Research strategy*

The research strategy will be deductive because of the fact that after a literature study it was found that there has been a lot of research, regarding the increase in export (Anderson & Narus, 1999; Anderson & Van Wincoop, 2003; Filatotchev, Liu, Buck & Wright, 2009; Root, 1994), which we can use to build a model. Also, deductive research will give a more focused outcome which will increase internal validity.

Following from this literature study, the knowledge base will be extended by making a prediction. Then that extension will be verified by comparing the prediction to empirical results. These findings are then used to draw conclusions, after which the answer to the research question can be given (Saunders, Lewis, & Thornhill, 2009).

## 2 LITERATURE REVIEW

In order to fully answer the research question, it should be understood completely. This will be accomplished by completing a literature review for every keyword of the research question, as will be done in Section 2.1. Following from this part of the literature review, a model will be created which can be used to answer the research question. This model can be found in Section 2.2.

### 2.1 Definitions

The literature study will be completed by searching literature to define the keywords found in the research question. These keywords are “Chinese SME”, “Export”, “Mature markets” and “Decision making process”. The following sections will contain definitions of these keywords with regard to the research question.

In order to use theories, models and processes provided by other authors, one should be very selective in choosing sources. The validity of this research will be determined mainly by the used sources, since this research will use a deductive approach, as is stated in Section 3.3. More information regarding the validity of used sources can be found in Section 3.4 and Appendix B.a.2.

#### 2.1.1 Chinese Small and Medium-sized Enterprise

Small and Medium-sized Enterprises (SMEs) are a very heterogeneous group of businesses usually operating in the service, trade, agri-business, and manufacturing sectors (Lukacs, 2005). No precise, overall accepted, definition of SMEs can be found. This is because a ‘small’ firm in, for example, the petrochemical industry is likely to have much higher levels of capitalization, sales and possibly employment, than a ‘small’ firm in the car repair trades (Storey, 1994). Also, every country interprets SMEs differently. For example, in Europe a company is defined as an SME when it has a headcount of less than 250 annual work units, an annual turnover of less than 50 million euro or instead of the annual turnover an annual balance sheet which totals less than 43 million euro (European Commission, 2005). Where in China, the definition of an SME is based on relativity (Harvie & Lee, 2004).

A frequently applied characteristic of SMEs is the number of employees and the financial threshold (ADBInstitute, 2010; Ayyagari, Beck, & Cemirguc-Kunt, 2007; European Commission, 2005; Hallberg, 2000). Other characteristics of the firm, such as the degree of informality or the level of technological sophistication, may, in some countries, matter more, than the number of employees (ADBInstitute, 2010; Hallberg, 2000).

With regard to China, the number of employees is the most common measure, though many definitions also use a monetary measure (Harvie & Lee, 2004). Also, China uses some industry specific definitions (Harvie & Lee, 2002; Li & Cheng, 2003). The only really common characteristic of SMEs in China is that they are ‘not large’, so whether or not a firm is really an SME is a question of relativities (Harvie & Lee, 2004).

According to most research regarding manufacturer SMEs, less than 200 employees is an appropriate definition for a Chinese SME (European Chamber, 2009; Hall, 2007; Li & Cheng, 2003). That definition will be used during this research, extended with the definition that the company needs to be located in China.

### 2.1.2 *Export*

Exporting is “the transportation of any domestic good or service to a destination outside a country or region; the opposite of importing, which is the transportation of any good or service into a country or region, from a foreign origination point.” (Ball, Geringer, Minor, & McNett, 2009, p. 17).

Export channels can be divided by indirect and direct channels (Root, 1994). Indirect export can be done when a firm enters a market for the first time. However, the indirect exporting does not allow manufacturing firms to have their own international market entry strategy. Most work will be done by the indirect exporter (Root, 1994). Direct exporting offers several advantages to the manufacturer, namely; partial or full control over the foreign marketing plan, concentration of marketing effort on the manufacturer’s product line, more and quicker information feedback about the target market and better protection of trademarks, patents, goodwill, and other intangible property (Root, 1994).

With regard to the research question, export will be characterized by the definition from Ball, Geringer, Minor, and McNett (2009), namely “the transportation of any domestic good or service to a destination outside a country or region; the opposite of importing, which is the transportation of any good or service into a country or region, from a foreign origination point.” (Ball, Geringer, Minor, & McNett, 2009, p. 17).

### 2.1.3 *Mature markets*

The mature market definition will be viewed from a macro-economic view. This will be done since the company where the case study will be conducted has plans to export/increase export to mature market economies. According to InvestorWords.com (n.d), a mature market is “a market that has reached a state of equilibrium marked by the absence of significant growth or innovation” (InvestorWords, n.d.).

Griffing (2006) says that “in a mature market economy, the key element for managers is freedom of choice. Consumers are free to make decisions about which products they prefer to purchase, and firms are free to decide what products and services to provide.” (Griffing, 2006, p. 129). There are three relatively mature market systems, namely North America, Europe (especially nations in the European Union) and Pacific Asia (Griffing, 2006).

During this research, mature markets will be defined as the definition stated from Griffing (2006) “in a mature market economy, the key element for managers is freedom of choice. Consumers are free to make decisions about which products they prefer to purchase, and firms are free to decide what products and services to provide.” (Griffing, 2006, p. 129). The definition of Griffing (2006) is much more specific than the definition of InvestorWords.com (n.d.) which is the reason the definition of Griffing (2006) will be used.

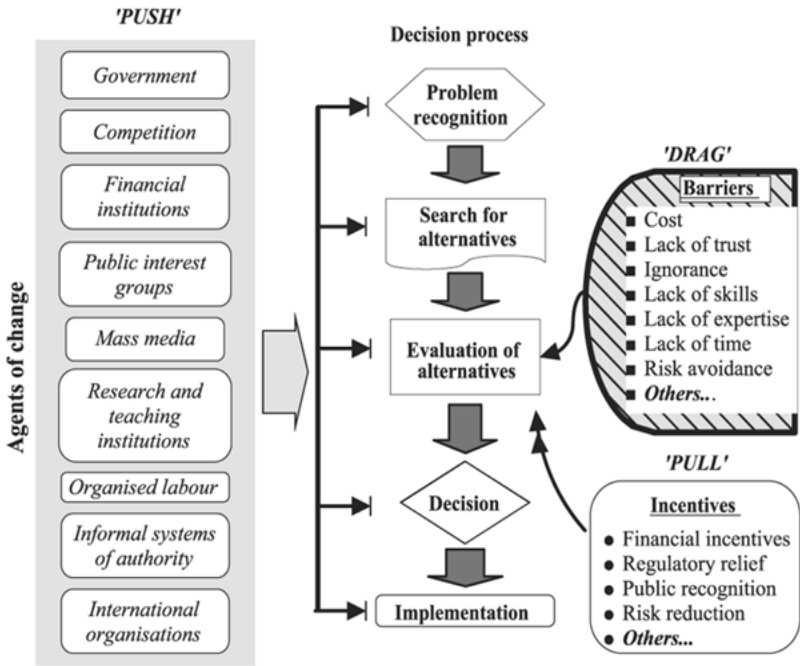
### 2.1.4 *Decision making process*

Many researchers have agreed upon the statement that human decision making cannot be understood simply by studying final decisions. For example, Saaty (2008) stated “To make a decision we need to know the problem, the need and purpose of the decision, the criteria of the decision, their sub criteria, stakeholders and groups affected and the alternative actions to take.” (Saaty, 2008, p. 84) and Svenson (1979) stated “The perceptual, emotional, and cognitive process which ultimately lead to the choice of a decision alternative must also be studied if we want to gain an adequate understanding of human decision making.” (Svenson, 1979, p. 86). Decision making formalizes the

thinking we use so that, what we have to do to make better decisions is transparent in all its aspects (Saaty, 2008).

A decision making system can start with an event that necessitates the decision making (Ruxandu, 2006). Then the elements affecting an event will be found (Ruxandu, 2006). When these elements have been defined, the process can start in the, according to Ruxandu (2006), “Magic Box”. Following from this process, a decision will be found (Ruxandu, 2006). However, decisions made by humans are hard to predict. It has been found that people might have a specific attitude to something but don’t behave accordingly (Albarracin, Johnson, & Zann, 2005).

Decision making processes have been the subject of many research papers (Custers, Hurley, Klazinga, & Brown, 2008; Fredrickson, 1986; Mintzberg, Raisinghani, & Theoret, 1976; Parto & Herbert-Copley, 2007). However, most of them are too advanced to be able to use as an instrument within the given time (Fredrickson, 1986; Mintzberg, Raisinghani, & Theoret, 1976). Others are too simple to be able to create a broad enough view regarding the research question (Custers, Hurley, Klazinga, & Brown, 2008). In this research the decision making framework adapted from Yap (1988) (Parto & Herbert-Copley, 2007), found in Figure 1, will be used, since it will give a broad enough view but is not too complex compared to other decision making processes.

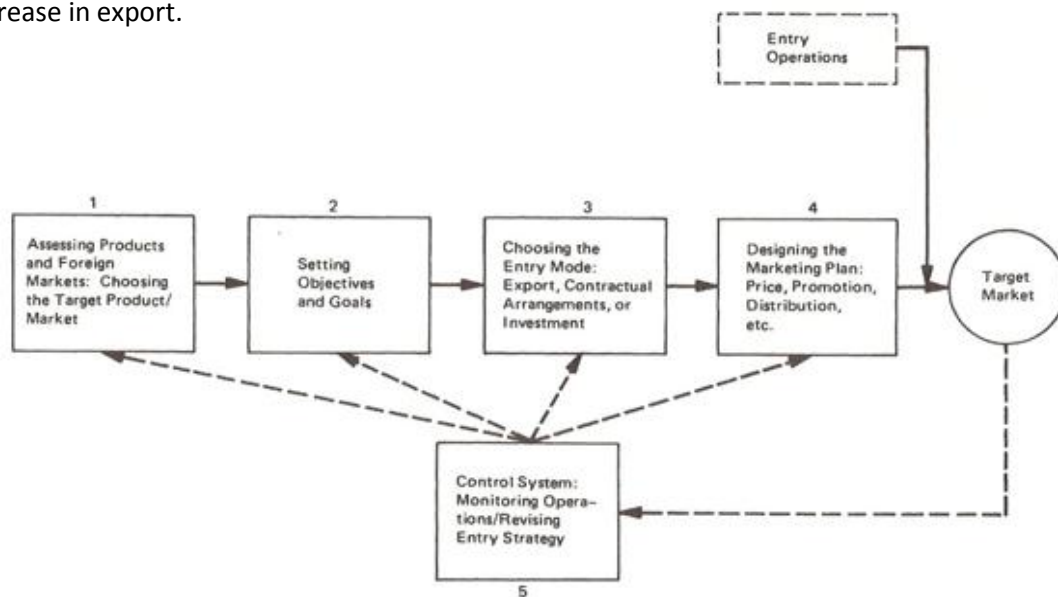


**Figure 1. Decision making framework from Yap (1988). Adapted from “Industrial innovation and environmental regulation: Developing workable solutions” by S. Parto and B. Herbert-Copley, 2007, Copyright 2007 by the United Nations University Press.**

The framework adapted from Yap (1988) (Parto & Herbert-Copley, 2007), as seen in Figure 1, provides a heuristic framework of the decision making process of a firm. The decision making framework is viewed as an iterative process in five internal stages, namely ‘Problem recognition’, ‘Search for alternatives’, ‘Evaluation of alternatives’, ‘Decision’ and ‘Implementation’. As seen in Figure 1, the firm is influenced at the different stages of its decision making by various push, pull and drag factors.

## 2.2 Decision making process

We have looked at various models which can be used as a basis for a decision making process to increase export from a Chinese SME to mature markets (Anderson & Van Wincoop, 2003; Filatotchev, Liu, Buck & Wright, 2009; Root, 1994). We have decided to use the model from Root (1994), as seen in Figure 2, since compared to the other models (Anderson & Van Wincoop, 2003; Filatotchev, Liu, Buck & Wright, 2009) it is less complex and for that it can be used as a solid base for our decision making process. Root (1994) has developed a model which contains the elements of an international entry strategy. This model can be used in order for a company to increase foreign sales, since the elements can be reviewed separately and the model can be used in an iterative way. Using the model in an iterative way will cause the decision making process to be optimized, resulting in an increase in export.



**Figure 2. The elements of an international market entry strategy. Adapted from "Entry strategies for international markets" by F.R. Root, 1994, Copyright 1994 by John Wiley & Sons, Inc.**

The model of Root (1994), as seen in Figure 2, describes the product market entry strategy based on decisions made for the five elements. Decisions are required for the choice of a target product/market, the objectives and goals in the target market, the choice of an entry mode to penetrate the target country, the marketing plan to penetrate the target market and the control system which is used to monitor performance in the target market (Root, 1994), all aspects that are important for export. It looks like the model is sorted in a logical order, however the design of a market entry strategy is actually iterative with many feedback loops which are not shown in the model (Root, 1994).

Also Anderson and Narus (1999) have described how a company can increase sales by showing how to understand value, create value and deliver value (Anderson & Narus, 1999). Anderson and Narus (1999) state that by applying the mentioned methods a supplier firm can enhance present and future sales.

Finally, as stated in the previous section, the decision making framework adapted from Yap (1988) (Parto & Herbert-Copley, 2007), as shown in Figure 2, will be used as a guide for making a decision. The decision making framework adapted from Yap (1988) will give a broad enough view but is not too complex compared to other decision making processes as seen in Section 2.1.4.

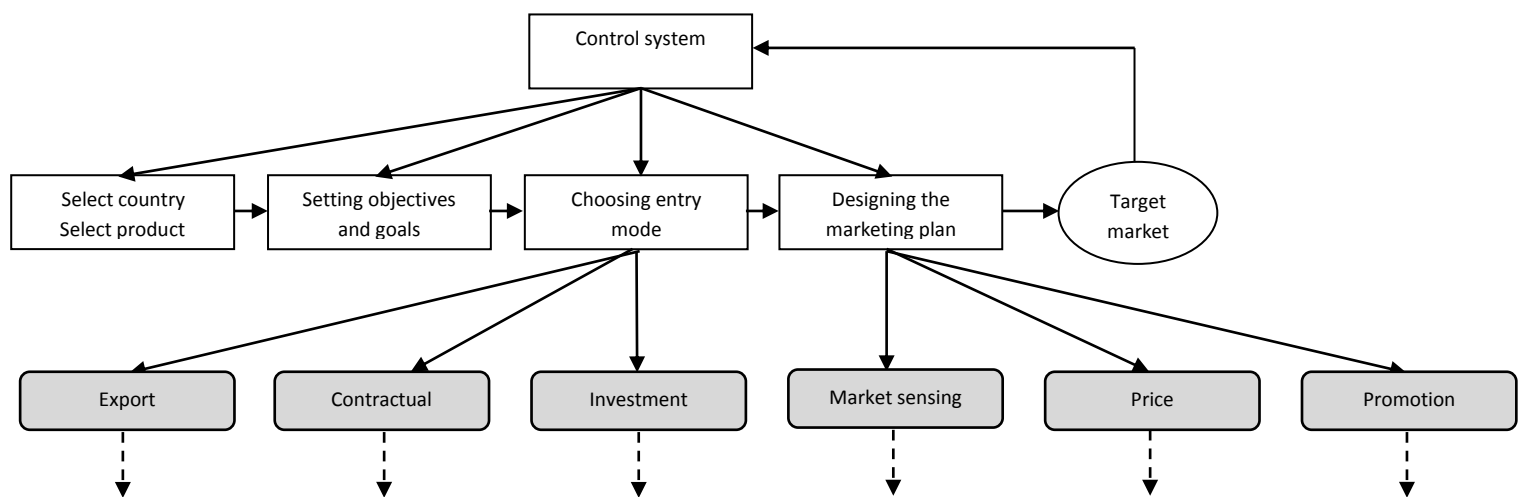
The main factors of these models have been listed in Table 1. The three columns of Table 1 should be read individually and are not linked.

Root (Root, 1994)	Yap (Yap, 1988) (Parto & Herbert-Copley, 2007)	Anderson and Narus (Anderson & Narus, 1999)
<u>Choosing target product/market</u>	<u>Problem recognition</u>	<u>Understanding value</u>
<u>Setting objectives and goals</u>	<u>Search for alternatives</u>	- Market sensing
<u>Choosing entry mode</u>	<u>Evaluation of alternatives</u>	- Understanding firms as customers
<u>Designing the marketing plan</u>	<u>Decision</u>	- Crafting marketing strategy
	<u>Implementation</u>	<u>Creating value</u>
		- Managing marketing offerings
		- New offering realization
		- Business channel management
		<u>Delivering value</u>
		- Gaining new business
		- Sustaining reseller partnerships
		- Managing customers

**Table 1**

**Main factors of the model of Root (Root, 1994), adapted decision making framework of Yap (Yap, 1988) (Parto & Herbert-Copley, 2007) and the model of Anderson and Narus (Anderson & Narus, 1999).**

With the factors named in Table 1, a decision making process has been created, from now on referred to as the model. The model of Root (1994) will be used as basis since it is a complete model which also covers entry strategy and during the literature study we did not find any more complete models. The “Designing the marketing plan”, part of the model of Root (1994) will be extended with the “Market Sensing” of Anderson and Narus (1999) since the model will then give a more complete view than when only the model of Root (1994) is used. We also looked at the traditional marketing mix, also known as the ‘4 P’s model’, and found an extended model of this ‘4 P’s model’, namely the ‘7 P’s model’ (12manage, n.d.b; Blythe, 2008). However, the ‘7 P’s model’ is more useful for service industries and not, like the traditional marketing mix, for tangible products (12manage, n.d.b). For that reason we decided to use the traditional marketing mix, the ‘4 P’s model’. The basis of the model created from this can be found in Figure 3.



**Figure 3. Basics of the decision making process used during this research.**



We will elaborate on these elements in the following sections by using the decision making framework adapted from Yap (1988) (Parto & Herbert-Copley, 2007), found in Figure 1. According to the decision making framework adapted from Yap (1988) the decision making process can be divided in five stages, namely ‘Problem recognition’, ‘Search for alternatives’, ‘Evaluation of alternatives’, ‘Decision’ and ‘Implementation’ (Parto & Herbert-Copley, 2007). The last stage, ‘Implementation’, will not be discussed since the implementation will be done after the decision making process is finished. The operationalization of the model, as well as the selection of the “Export”, “Contractual”, “Investment”, “Market sensing”, “Price” and “Promotion” variables of the model seen in Figure 3, can be found in the following sections. The rest of the operationalization of this research can be found in Section 3.2.

Because of the time frame given for this research the focus in this research will be on the elements: export of “Choosing entry mode” and “Designing the marketing plan” as shown in Figure 3. Another factor why this research will only focus on export of “Choosing entry mode” and “Designing the marketing plan” is the fact that the case study organization, IS PET, had already decided on the other elements and wanted to focus on these specific elements, as can be found in Section 1.3 of this research. We will not elaborate on the “Control system” since in order to do so we need to elaborate on all the elements, which we cannot do as we just described in this paragraph.

#### 2.2.1 *Choosing entry mode*

The choosing of the entry mode will be done by using the decision making framework adapted from Yap (1988) (Parto & Herbert-Copley, 2007). By following this decision making framework, a decision can be made which will be shown in the following sections.

##### 2.2.1.1 *Problem recognition*

Before choosing an entry mode, the most common problem companies have is that they want to export/increase export, but they do not know what the best mode of entry is. For that, the following sections will help.

##### 2.2.1.2 *Search for alternatives*

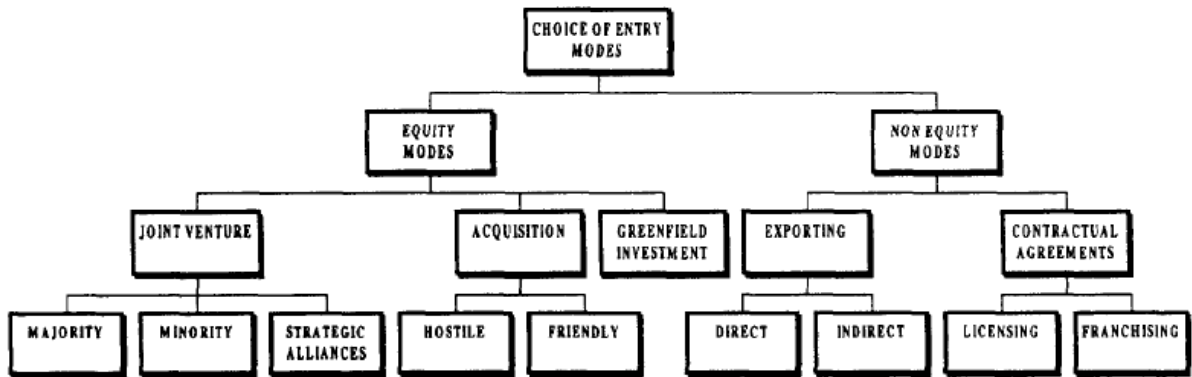
An international market entry mode is an institutional arrangement that makes the entry of a company’s products, technology, human skills, management, or other resources into a foreign country (Root, 1994). There are mainly two ways a company can arrange entry into a foreign country, namely the export of its products to the target country from a production base outside that country or the transfer of its resources like technology, capital and human skills to the foreign country (Root, 1994).

These two classifications can be split up into several distinctive entry modes. Namely the ones listed in Table 2, which have been shown hierarchical in Figure 4.

<b><i>Export Entry Modes</i></b>	<b><i>Contractual Entry Modes</i></b>	<b><i>Investment Entry Modes</i></b>
Indirect	Licensing	Sole venture: new establishment
Direct agent/distributor	Franchising	Sole venture: acquisition
Direct branch/subsidiary	Technical agreements	Joint venture: new establishment/acquisition
Other	Service contracts	Other
	Management contracts	
	Construction/turnkey contracts	

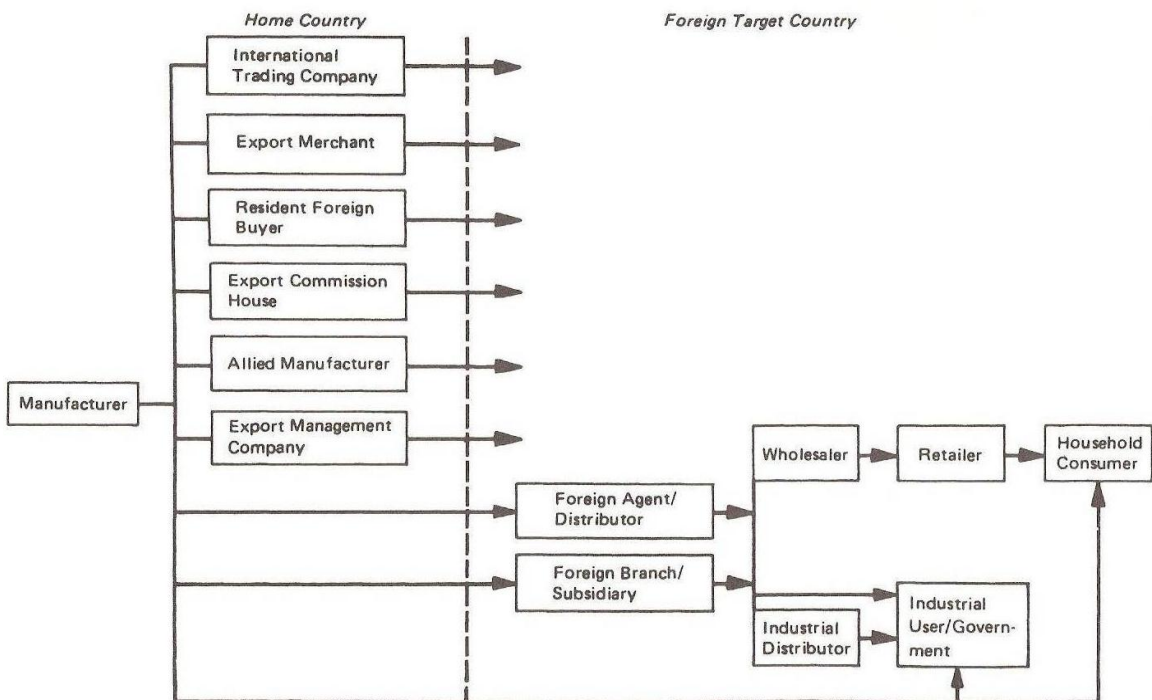
	Contract manufacture	
	Co-production agreements	
	Other	

**Table 2**  
*Several entry modes (Kumar & Ubramanian, 1997; Root, 1994).*



**Figure 4. Hierarchical model of entry decision.** Adapted from “A contingency framework for the mode of entry decision” by V. Kumar and V. Subramaniam, 1997, *Journal of World Businesses*, 32. Copyright 1997 by Journal of World Businesses.

Since IS PET wishes to increase sales by export, the focus will be on the export. The various ways of exporting can be seen in Figure 5. Since IS PET’s product is meant for consumers, the industrial distributor and industrial user/government will not be discussed.



**Figure 5. Indirect and direct export channels.** Adapted from “Entry strategies for international markets” by F.R. Root, 1994, Copyright 1994 by John Wiley & Sons, Inc.

### 2.2.1.3 *Evaluation of alternatives*

As described in Section 2.1.2 there are two basic distinctions between export channels, namely the indirect and direct channels.

#### Indirect export channels

As stated in Section 2.1.2, indirect export channels are easy to use but have less freedom for the manufacturer since quite a lot will be done by the indirect export channel. These indirect export channels are paths to internationalization “whereby small firms are involved in exporting, sourcing or distribution agreements with intermediary companies who manage, on their behalf, the transaction, sale or service with overseas companies” (Fletcher, 2004). Some indirect export methods are export management companies, trading houses or brokers (Kotabe & Helsen, 1998; Kumar & Subramanian, 1997; Root, 1994; Timmor & Zif, 2005).

Indirect exporting offers advantages over direct exporting. The firm gets, for example, instant foreign market expertise. Also, very little risk is involved. Generally, no major resource commitment is required (Kotabe & Helsen, 1998).

But there are also some downsides with indirect exporting. For example, the company has little or no control over the way its product is marketed in the foreign country. Also, lack of adequate sales support, wrong pricing decisions, or poor distribution channels can lead to poor sales (Kotabe & Helsen, 1998). Bad marketing decisions made by the intermediary could damage the company’s image. The middlemen also may have very limited experience with handling the company’s product line (Kotabe & Helsen, 1998).

Looking at the low commitment with the sales process firms need for indirect exporting, it is seen that indirect exporting is often used as a strategy for testing the international business. If the demand for the product increases, the manufacturer can switch to another, more proactive, entry mode (Kotabe & Helsen, 1998).

#### Direct export channels

Direct export relies mainly on two channels, namely the foreign agent/distributor channel and the foreign branch/subsidiary channel. A less common used channel is the direct contact between the manufacturer and the final buyer in the target market (Root, 1994).

When a company chooses for a foreign agent/distributor, the company will hire an overseas contact person which is not an employee of the company. When this will be done, the company has to make sure that the agent/distributor is not handling any competitor products to prevent conflicts of interest.

A foreign branch is “an office or subsidiary of a company that exists and conducts operations in a country other than the one in which the company is headquartered.” (The Free Dictionary, 2009). And a foreign subsidiary is a “separately incorporated entity under the host country’s law” (The Free Dictionary, 2004).

If international sales potential becomes substantial, direct exporting normally is more appealing than indirect exporting (Kotabe & Helsen, 1998). When using direct export channels, the company has far more control over its international operations. Also, the sales potential (and profit) is normally much

more significant than under indirect exporting. The direct exporting also allows a firm to build up its own network in the foreign market and receive better market feedback (Kotabe & Helsen, 1998).

Direct exporting also has some negative points. For example, the responsibility for the exporting tasks is now in the hands of the company, the demands on resources will increase dramatically compared to indirect exporting (Kotabe & Helsen, 1998). Also decisions for the marketing mix have to be made by the company.

#### 2.2.1.4 Decision

In order to make a decision, some steps have to be completed. Every step will be described in the following sections. First of all a company has to determine whether to choose for an indirect export channel, or a direct export channel. We received information from IS PET which said that IS PET will use direct export channels, for that reason the indirect export channels will not be described fully. After the previously named decision, a company has to choose a specific exporter, which will also be described in the following sections.

#### Step 1: Indirect or direct export channel

First a company has to make the decision to use an indirect or a direct export channel. In the following paragraphs we will discuss how this decision can be made.

Normally a business will choose for an indirect export method if the firm has limited resources because the indirect export channel will take care of the resources the firm does not have to. These firms normally use indirect export methods like the usage of export merchants, trading companies and resident buyers (Leonidou & Katsikeas, 1996).

If a firm is more involved in international business it will use, or switch to, more direct export methods like overseas distributors, agents and sales branches (Leonidou & Katsikeas, 1996).

<b>Indirect exporting</b>	<b>Direct exporting</b>
Little/no control over the way the product is marketed	High demands on resources
Lack of adequate sales support	Doing marketing mix tasks
Wrong pricing decisions	
Poor distribution channels	

**Table 3**

**Possible negative factors of indirect and direct exporting (Leonidou & Katsikeas, 1996; Root, 1994).**

<b>Indirect exporting</b>	<b>Direct exporting</b>
Get instant foreign market expertise	Far more control over international operations
Little risk is involved	Higher sales potential (and profit)
No major resource commitments are required	Build up own network
	Get better market feedback

**Table 4**

**Possible positive factors of indirect and direct exporting (Leonidou & Katsikeas, 1996; Root, 1994).**

The choice between indirect and direct exporting is a 'make-or-buy' decision: "should we as a company perform the export task, or are we better off delegating the task to outsiders?" (Leonidou & Katsikeas, 1996, p. 252).

By using the information given in this section, including Table 3 and Table 4, a company can decide on indirect or direct exporting. Some other factors, which should be considered when deciding on the indirect or direct export mode, can be found in Table 5.

<i>The size of your firm</i>
<i>The nature of your products</i>
<i>Previous export experience and expertise</i>
<i>Business conditions in the selected overseas markets</i>

**Table 5**

**Factors which should be considered when deciding on indirect or direct exporting (Unzco, 1998).**

When a firm has enough resources to meet the high demand of direct exporting, it can choose to do so. If products are hard to transport, it might be easier to export indirect since the indirect export channel takes care of these problems. Also, when there is no previous export experience and/or expertise one could decide to export indirect since the company will then get instant foreign market expertise. And, when the business conditions in the selected overseas markets are relatively hard, it might be interesting to do indirect exporting since there is little risk involved.

#### Step 2a: Determine indirect export channel

As stated before, indirect export channels handle most of the issues faced with export and are normally used by a firm which never traded international before. Looking at the case study which will be performed, it is found that IS PET is known with all the export possibilities and will use direct export channels. Because of this, the determination of an indirect export channel will not be described fully.

The indirect export channel can be determined by making a list with specifications which the indirect export channel should take care of. Afterwards, the list with specifications should be compared with the specifications of all possible types of indirect export channels (Leonidou & Katsikeas, 1996). After a type of indirect export channel has been determined, one should determine which specific indirect exporter to use. This can be done by making a list of specifications which the company would like the indirect exporter to take care of and comparing that specific list to all the specifications of the indirect exporters available (Leonidou & Katsikeas, 1996).

#### Step 2b: Determine direct export channel

A rational determination of a direct export channel for a target country/market can be made by first making decisions on three levels. These levels are the determination of the performance specifications, the determination of the channel type and the determination of the channel members (Root, 1994).

For the determination of performance specifications, one should answer the following questions.

- What geographical market coverage do we want in the target country?
- How intensive should our market coverage be?
- What specific selling and promotion efforts do we want from channel agencies?
- What physical supply services do we want from channel agencies?
- What pre- and post-purchase services do we want from channel agencies?

These questions also depend on the objectives of a company in the target country, its product and its marketing plan (Root, 1994), but those factors will not be discussed because of the limited time of this research.

Next it should be decided which channel type (or channel mix) is optimum for matching the company's performance specifications against alternative channel systems, with regard to costs. This decision can be made by starting with the comparing of the branch/subsidiary channel against the agency/distributor channel. The possible better performance of the branch/subsidiary channel is acquired at the cost of a higher breakeven sales volume. To summarize, the choice depends on both expected performance and costs. Of course also other factors, like quality control, play a role (Root, 1994).

If a manufacturer decided to use an agent/distributor channel, then a second decision should be made, namely the comparison of foreign agents against foreign distributors. A foreign agent is an independent middleman who represents the manufacturer in the target country. A foreign distributor is an independent merchant who takes title to the manufacturer's goods for resale to other middlemen or final buyers. The analytical approach for choosing between an agent channel and a distributor channel is the evaluation of how each alternative channel matches the defined channel specifications and how alternative channel costs compare over the entry planning period (Root, 1994).

If an agent or a distributor channel has been chosen, another decision making process can be followed for choosing a specific foreign agent/distributor. First the demanded profile should be drawn, then the prospects should be located, next the prospects should be evaluated and finally an agent/distributor should be chosen (Root, 1994).

Table 6 contains an example list of factors with which a profile for an agent or distributor can be made.

<i>Trading areas covered</i>
<i>Lines handled</i>
<i>Size of firm</i>
<i>Experience with manufacturers or similar product lines</i>
<i>Sales organization and quality of sales force</i>
<i>Physical facilities</i>
<i>Willingness to carry inventories</i>
<i>After-sales servicing capability</i>
<i>Knowledge/use of promotion</i>
<i>Reputation with suppliers, customers, and banks</i>
<i>Record of sales performance</i>
<i>Cost of operations</i>
<i>Financial strength/credit rating</i>
<i>Overall experience.</i>
<i>Relations with local government</i>
<i>Knowledge of English or other relevant languages</i>

<i>Knowledge of business methods in manufacturer's country</i>
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<i>Willingness to cooperate with manufacturer</i>
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**Table 6**  
**Factors to create a profile of an agent or distributor with (Root, 1994).**

### 2.2.2 Designing marketing plan

In order to position a product correctly in a foreign market, a company has to decide on a marketing plan which will be used. The steps to decide on a marketing plan can be found in the following sections.

#### 2.2.2.1 Problem recognition

The profitability and ultimate survival of a company in world markets depends on its capacity to provide a continuing stream of benefits to customers at a competitive price (Root, 1994). In order to be profitable and survive, one would need a marketing plan. A marketing plan is defined as "The written document that describes your advertising and marketing efforts for the coming year; it includes a statement of the marketing situation, a discussion of target markets and company positioning and a description of the marketing mix you intend to use to reach your marketing goals" (Entrepreneur, n.d.). The following sections will contain text regarding decisions for a marketing plan.

#### 2.2.2.2 Search for alternatives

The traditional marketing mix, also known as the '4 P's model', can be used as a tool to assist in the defining of the marketing plan (12manage, n.d.a). Later on the traditional marketing mix has been extended to the so called '7 P's model' (12manage, n.d.b; Blythe, 2008), however the '7 P's model' is more useful for service industries and not, like the traditional marketing mix, for tangible products (12manage, n.d.b). Because of the fact that the traditional marketing mix is focused on tangible goods, which suits the case study company - being a manufacturer - better, this model will be used during the designing of the marketing plan.

The traditional marketing mix consists of four variables, namely 'Product', 'Price', 'Place' and 'Promotion' (12manage, n.d.a). The variable 'Product' consists of factors like functionality, quality, appearance, packaging, brand, service, support and warranty (12manage, n.d.a; Blythe, 2008). Since the board of the case study company has already made the decision to export the same products in the same package everywhere, we will not discuss the variable 'Product' any further. The variable 'Place' consists of factors like locations, logistics, channel members, channel motivation, market coverage, service levels, internet, mobile (12manage, n.d.a; Blythe, 2008). Since the market sensing already contains market coverage (Anderson & Narus, 1999) and the most of the other factors of the variable 'Place' actually better belong with the choosing of the entry mode, this variable will also not be discussed any further.

So a marketing plan for SMEs for international entry strategies can be split up in three parts. Namely market sensing, price and promotion, as has been defined in this section and in Section 2.2. This information was found in Root (1994), Anderson and Narus (1999) and after a literature research the factors were listed in Table 7.

<b>Market sensing</b>	<b>Price</b>	<b>Promotion</b>
Defining the market	Full-cost pricing	How much to say
Monitoring competition	Incremental-cost pricing	Whom to say it to
Assessing value	Profit-contribution pricing	Why to say it

Gaining customer feedback		What to say
		Which channel to say it through
		How to say it

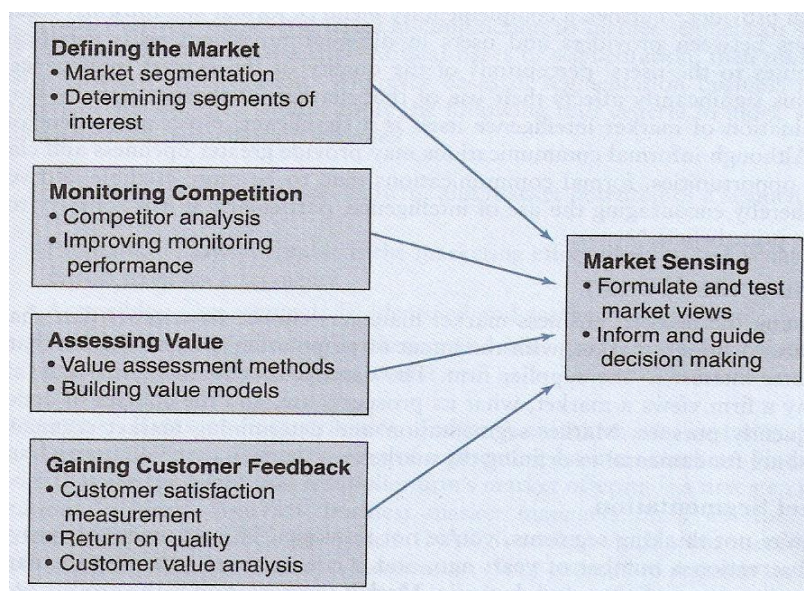
**Table 7**  
**Marketing plan structure (Anderson & Narus, 1999; Root, 1994).**

### 2.2.2.3 Evaluation of alternatives

The following sections will contain information regarding the alternatives found for the marketing plan.

#### Market sensing

In order to create a marketing plan, one should know exactly all the facets of the target market. To do so one can use market sensing which can be split up into four substantive facets as seen in Figure 6.

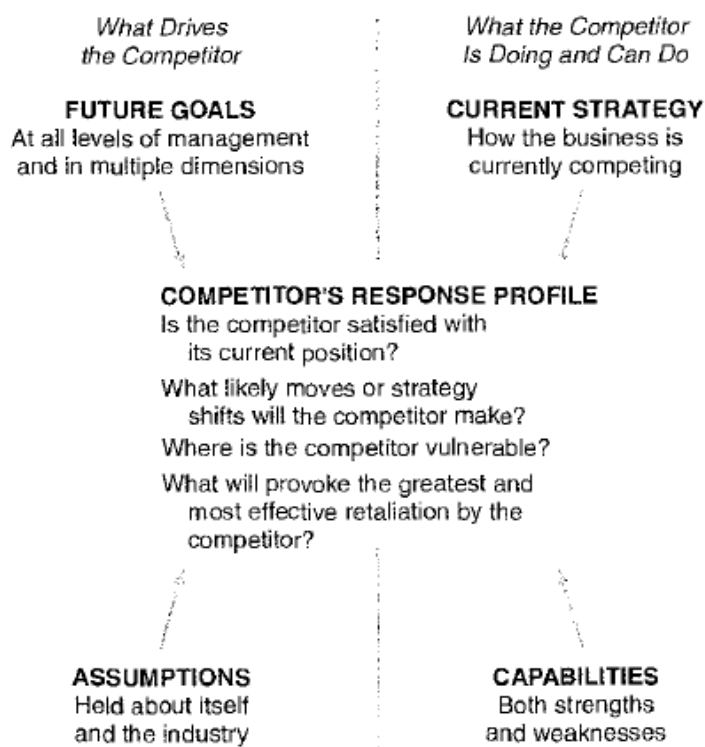


**Figure 6. Substantive facets of market sensing. Adapted from “Business Market Management: Understanding, Creating and Delivering Value” by J. C. Anderson and J. A. Narus, 1998. Copyright 1998 by Prentice Hall.**

Defining the market can be done by segmenting/aggregating the market. The aggregation of the market means that the target market is conceived as the total market covering of all possible consumers/users throughout the target country. Market segmentation means that the target market can be seen as part of the total market that includes only a particular group of consumers/users (Root, 1994).

Secondly, one should monitor competition. Since customer judgment about the value of a business market offering takes place within the context of the market offerings of other businesses, a business should know enough about their competitors (Anderson & Narus, 1999). This knowledge can be gained by using a framework provided by Anderson and Narus (1999). This framework consists of four components from the competitor, namely future goals, assumptions, current strategy and capabilities. These four components can be seen in Figure 7.





*Figure 7. The components of a competitor analysis. Adapted from “Business Market Management: Understanding, Creating and Delivering Value” by J. C. Anderson and J. A. Narus, 1998. Copyright 1998 by Prentice Hall.*

Value assessment is “the work process of obtaining an estimate of the worth in monetary terms of some present or proposed market offering or elements of it.” (Anderson & Narus, 1999, p. 56). Some methods of how to assess value have been listed by Anderson and Narus (1999), which are internal engineering assessment, field value-in-use assessment, indirect survey questions, focus-group value assessment, direct survey questions, conjoint analysis, benchmarks, compositional approach, importance ratings and state-of-best-practice research.

The information mentioned above can be used in for example, a direct survey. When this method is used, participants are given a description of a potential market offering or product concept and are asked, for example, “What would your firm be willing to pay for this?” (Anderson & Narus, 1999). However, participants might be unwilling to answer these questions or might lack the knowledge to answer the questions. A series of follow-up questions could be asked to gain a complete view of “how parts of an offering contribute to its overall perceived value.” (Anderson & Narus, 1999, p. 60).

As last, customer feedback is one of the best methods to understand whether or not the customer’s requirements and preferences have been met. It enables a firm to know how well it has fulfilled its promise to customers (Anderson & Narus, 1999).

### Price

According to Anderson and Narus (1999) a pricing decision should be based on what a market offering is worth to the customer instead of the cost it took to create it or based on a competitor price.

How one should price a product, is a complex process. The following approaches to pricing will be discussed in the following paragraphs; full-cost pricing, incremental-cost pricing, profit-contribution pricing and entry-pricing strategies (Blythe, 2008; Root, 1994).

Full-cost pricing is simply the sum of total unit costs attributed to a product and a profit margin. More specific; direct production costs plus direct marketing costs plus allocated production and other overhead costs plus a profit contribution (Root, 1994).

Incremental-cost pricing makes a distinction between variable costs and fixed costs. An incremental-cost price is the sum of variable production and marketing costs plus a profit contribution (Root, 1994).

The profit contribution of a candidate product in a target market is its incremental revenues minus its incremental costs over the planning period (Root, 1994). So profit-contribution pricing uses the incremental revenues and incremental costs to calculate the best price.

An entry-pricing strategy is intended to obtain the maximum profit contribution over the planning period, taking into account risks and other internal or external constraints. There are mainly two entry-pricing strategies, pioneer pricing strategies and other entry-pricing strategies. Pioneer pricing strategies contain the following strategies. First of all the skimming-price strategy which sets a high entry price for the new products. Secondly, a development-price strategy is a strategy which uses a low entry price. Finally, life-cycle planning tries to combine the advantages of the skimming-price strategy and the development-price strategy. The product will have a high entry price, but during the life cycle the price will be lowered (Root, 1994). We will not discuss other entry-pricing strategies since these are too broad and will not be used further in this research.

### Promotion

Promotion will be defined here as all communications initiated by a seller which are addressed to final buyers, channel members, or the general public with the intent to create immediate sales or a positive image for the seller's product or company (Root, 1994). Promotion can be seen as a form of cross-cultural communication in international marketing, mainly since it almost always involves a message-sender belonging to one national culture and a message-receiver belonging to a second national culture.

When a company enters a new country they normally do not start with a clean slate. Foreign consumers have already formed judgments about the company's country and the products it manufactures. This is called the 'made-in' images which may be beneficial or detrimental to the own promotion efforts (Root, 1994).

The key decisions which should be made in designing a company's promotion strategy for a foreign target market have been listed in Table 8.

<i>How much to say</i> What level of promotion effort is required to attain the defined targets?
<i>Whom to Say it to and why to say it</i> Should the channel members be addressed or should the final consumers, users of the product be addressed?
<i>What to say</i> What will be stated in the buying proposition?
<i>Which channel to say it through</i> Which communication channel to use? Personal selling relies on the face-to-face channel,

<p>advertising and publicity rely on impersonal channels that reach a mass audience. Sales promotion relies both on personal and impersonal channels.</p>
<p><i>How to say it</i></p> <p>How should the buying proposition be presented in the promotional message? Culture plays a huge role in this aspect.</p>

**Table 8**  
**Deciding on promotion strategy (Root, 1994).**

#### 2.2.2.4 Decision

First a choice should be made for the market sensing. Afterwards, a pricing method should be chosen and finally a promotion strategy should be chosen.

#### Market sensing

The first thing that should be done when one uses market sensing, is looking whether or not the market needs to be segmented or aggregated. Segmentation of the market is useful when there is a heterogeneous group of consumers/users with respect to the candidate product. These heterogeneous groups should be split up into homogenous groups in order to approach these groups correctly (Anderson & Narus, 1999; Blythe, 2008). One main question which needs to be answered is whether or not the segmentation strategy is more cost effective than the aggregation strategy. If so, it is interesting to use the segmentation strategy.

Secondly, a company should monitor competition. In order to monitor competition, first should be determined which companies should be monitored. This can be done by looking at “the other market offerings that present and prospective customers consider as alternatives to their firms’ market offerings.” (Anderson & Narus, 1999, p. 50). This so called competitor analysis can be completed by using the components found in Figure 7. Monitoring competition is an important thing to do to increase the view of the market, but it is not a specific decision and will therefore not be explained any further.

Assessing the value can be done in various ways as named in the previous section. But since the assessing of value is also not a specific decision and will not be done during the observation at IS PET, it will also not be described any further.

Finally, the gaining of customer feedback. This is an option normally used after a specific product has been introduced in a specific country. Since the case study at IS PET will have the focus on entering a new market and increasing export to existing markets, it is a possibility to gain customer feedback to know what could be improved in the strategy applied at the moment. But because of the short duration of the study at the company, this aspect will not be taken into account for the findings.

#### Pricing

As stated in Section 2.2.2.1, there are a number of approaches to pricing. Namely full-cost pricing, incremental-cost pricing, profit-contribution pricing and entry-pricing strategies (Blythe, 2008; Root, 1994). The pricing approaches full-cost pricing, incremental-cost pricing and profit-contribution pricing are focused on the short term and not on the long term. On the other hand entry-pricing strategies are more focused on the long term. For example, if a company wants to gain profits before rivals respond, they should use a skimming-price strategy. If a company wants to build up a dominant

market position which can be defended against competitors, a development-price strategy should be used. And if a company wants to maintain market dominance, a life-cycle planning should be used.

### Promotion

“Marketing communications are more focused, tailored to varying requirements for gaining customers or sustaining relationships with customers and resellers, and shape and reinforce the supplier’s value proposition to each constituency.” (Anderson & Narus, 1999, p. 13). This statement makes clear that marketing communications are an important part of the marketing plan.

First a decision should be made on *‘how much to say’*. What level of promotion effort is required to attain the set objectives (Root, 1994). Normally, consumer goods need more effort than industrial goods because there are more consumers dispersed over a sizable geographical area. Also, sellers of consumer goods have to create psychological benefits for consumers through promotion, where sellers of industrial products can make use of the rational buying motives by communicating information of the product. Other considerations include the size of the target market, the phase of the product’s life cycle, competition and the entry mode.

A market with high company sales potential justifies more promotion effort than one with lower sales potential. Heavier promotion is more required during the introduction phase than by a later phase of the life cycle. Also, if competitors promote heavily in the market, so should the new entering company. As stated, promotion effort also depends on the entry mode. If a company uses foreign distributors they may leave promotion partly or completely to them (Root, 1994).

Secondly, *‘whom to say it to’*. Should the channel members be addressed or should the final consumers or users of the product be addressed, or both. This can be explained by the push and pull strategies. A push strategy involves promoting the product only to the next link down the distribution channel. This means selling to the wholesaler and letting the wholesalers in their turn sell to the retailers who push the products to the consumers (Blythe, 2008). Pull strategies involve focusing on the consumer, on the basis that an increase in consumer demand for the product will pull production through the distribution chain up to the manufacturer (Blythe, 2008).

A push strategy has the advantage of being cheap and relatively straightforward and could be justified on the ground that every member of the distribution chain knows the best way of marketing to the next member down the chain. However it is not really consumer-oriented. A pull strategy is aimed at the final consumer and because of that the costs increase dramatically since it involves the use of mass media channels (Blythe, 2008). By knowing these advantages and disadvantages, a company can make a decision on using a pull or push strategy, or a mix of both. The mix of as well the push and pull strategy is normally done by companies whom introduce new products to a market (Blythe, 2008).

Managers should know *‘why to say it’*, since that gives them the possibility to be able to make correct decisions and use the knowledge to design their promotion strategy (Root, 1994). This is not really a decision and because of that the *‘why to say it’* will not be discussed in more detail.

Next, *‘what to say’*. The next step is to decide on the buying proposition. The buying proposition is “the idea content of the promotional message – persuasive selling points of the product or company” (Root, 1994, p. 193). How the buying proposition should be presented and interlinked with the

promotion channels. In order to create an effective buying proposition, one should view their product and company from the perspective of the intended receivers in the target market, who most probably belong to another culture and society.

*'Which channel to say it through'*. There are two main categories of communication channels. Namely the personal and impersonal channel. Personal selling relies on personal face-to-face channels (Root, 1994). Advertising and publicity rely mainly on impersonal channels which reaches a mass audience (Root, 1994).

If an international company uses foreign agents or distributors, personal selling is largely left to those representatives. International companies take on the personal selling function when they establish sales branches/subsidiaries in a target market.

Advertising, the dominant channel for mass promotion, employs several specific channels or media, like direct mail, newspapers/magazines, trade journals, radio, television, cinema and outdoor posters (Root, 1994). Advertisements put on the internet can also be used for mass promotion. When deciding on advertising media, managers normally look at the effectiveness and cost. Cost-effectiveness inclines consumer-product companies to radio, television, internet and widely distributed print media. Industrial-product companies use more direct mail, trade journals, internet and other specialized print media that are aimed at a relatively small number of business prospects (Blythe, 2008; Root, 1994).

Another effective strategy is sales promotion which covers all promotion intended to supplement or strengthen personal selling, advertising and publicity. For example; exhibitions, shows, demonstrations, seminars, contests, sales aids, point-of-purchase displays, samples, gifts, premiums, special allowances, etcetera (Root, 1994). One kind of sales promotion is more important in international than in domestic marketing, namely trade fairs. Trade fairs are a special kind of market which brings buyers and sellers from different countries together at one place and time (Root, 1994).

Another channel is publicity. Publicity is "commercially significant news about a company or product, disseminated to the general public and not paid for by a sponsor" (Root, 1994, p. 197). According to Root (1994), publicity is seldom used with export and licensing entry modes.

Each promotion channel has its own comparative advantages and disadvantages. For example, personal selling is the most effective channel however cost per sale can be very high. Advertising can have low cost per contact but can generate low average sales per contact.

If a company chooses for a mix of channels, it will probably provide a more cost-effective promotion program than a single channel. Mainly because the best of all channels can be combined.

Finally, *'how to say it'*. An effective presentation can only be achieved by fully understanding the foreign target audience. If one assumes that the buying proposition addresses the needs and motivation of that audience, the question of the presentation at the strategic level becomes mainly one of adaptation to the national culture (Root, 1994). Since this is quite a broad topic and not much time will be spend on it during the case study at IS PET, we will not elaborate on it any further.

### 3 METHODOLOGY

Below will be discussed which kind of research method will be used in this study. First the type of research will be explained. Followed by the method of how the data will be obtained and analyzed. At last the precautions taken to guarantee the validity and reliability will be mentioned.

#### 3.1 Research method

We will use a qualitative research method since it will not only search for the what, but also for the why (Appendix B.a.1). This deeper understanding of events is needed in social studies because humans are self-sense making beings. The qualitative research method will be conducted by a case study, since the model, which has been defined in the literature study (Chapter 2), will be tested in one Chinese SME, IS PET (Appendix B.a.3). We use this method because we not only want to know if the export grows, but also why/because of what decision making process.

#### 3.2 Operationalization

In this section we will derive dimensions, indicators and interview items. We will explain how this process works, and as an example, the definition of Mature Markets will be worked out. The other dimensions, indicators and interview items can be found in Appendix C. The whole process described in this section is called operationalization.

Operationalization is the process in which we derive items by which we can measure the definitions. In Chapter 2 this process started with a few theoretic definitions, which are derived from literature research. At the end of each section the operational definition is given. The operational definition is the meaning which the researcher gives to the definition for this specific research. This meaning is based on literature but is fine tuned for only this research question. By making it specific, the researcher marks the boundaries of the definitions (Vennix, 2006). We will end this section by describing all the interview items for the model we have defined in Chapter 2.

##### 3.2.1 Dimensions

By defining dimensions the definition can become much clearer. This makes the data gathering more easily. Once you know that a cube has three dimensions, which you can measure separately, it is a lot easier to gather all the data about this cube (Vennix, 2006).

In Chapter 2 the operational definition for “Mature markets” is: “in a mature market economy, the key element for managers is freedom of choice. Consumers are free to make decisions about which products they prefer to purchase, and firms are free to decide what products and services to provide.” Here we see two dimensions: Freedom of choice (yes or no) and producer/consumer. These dimensions can be used in a two dimensional matrix as seen in Table 9.

x	Freedom of choice	No freedom of choice
Producer		
Consumer		

**Table 9**  
**Two dimensions in a two dimensional matrix.**

### 3.2.2 Indicators

When formulating indicators, we translate the theoretical terms in empirical terms. These empirical terms can be used to gather data about the variable which they belong to. So indicators are the things you want to measure to be able to say anything about the variable in the research question (Vennix, 2006).

According to our example, how can you measure if a consumer has freedom of choice? And if a producer has a freedom of choice? For that we need to fill in the blanks in the matrix created above with the measurable items, as can be seen in Table 10.

x	Freedom of choice	No freedom of choice
Producer	Diversified assortment  Able to introduce new product or stop to produce a product	Legal restrictions  Subsidy for certain products
Consumer	Easy access to goods  Available for everyone	Higher taxes on certain goods  Penalties and fines for attaining certain goods

**Table 10**  
**Dimensions used to find indicators.**

Now we can observe if producers have diversified assortments and if consumers need to pay higher taxes for certain goods. To interview subjects about these indicators, interview items need to be created based on these indicators. This will be done in the next section.

### 3.2.3 Interview items for the definitions

A good interview question needs to comply with the rules found in Table 11.

- Clear and understandable for all.
- Neutral.
- No double denial.
- A question can only ask about one variable.
- Clearly indicate the time aspect, if mentioned in the question.

**Table 11**  
**Rules for good interview questions. Adapted from "Theorie en praktijk van empirisch onderzoek" by A. M. Vennix, 2007. Copyright 2006 by Pearson Education Limited.**

Because of the choice for a semi-structured interview, questions do not need to be open. If a closed question (can be answered with just yes or no) is used in the interview, the researcher will continue with follow up questions. But off course, open questions are preferred. Because they are easy to experience for everyone, a diversified assortment and availability for everyone are suitable for interview items. With regard to the criteria for good questions we constructed, based on the indicators mentioned above, the questions found in Table 12 (the other questions can be found in Appendix C).

- How do you define mature markets?
- Which products does IS PET sell in the mature market?
- Which products does IS PET want to sell in the mature market?

- Are there any products IS PET wants to sell but are not allowed to sell in a mature market, and if so why do you think that is?
- Can all the customers, IS PET wants to sell to, buy the products from IS PET in the mature market, and if they cannot, how do you think that can be?
- How hard is it for customers to buy IS PET products? Please explain your answer.
- Are there any subsidies or extra taxes involved with the products in the mature markets, if so why do you think that is?

**Table 12**

**Interview questions regarding “Mature markets”.**

#### 3.2.4 Interview items for the model

Section 2.2 describes the developed model in detail. We have written interview questions for every element of the model seen in Figure 3. We extended the lists with interview items with a short description of how we will observe the specific elements in other ways, for example searching documents. We will start with listing the interview items for the “Choosing entry mode” element and will continue with the “Designing marketing plan” element.

##### 3.2.4.1 Choosing entry mode

We will start with describing interview items and observing methods for the “Choosing entry mode” as described in Section 2.2. We listed the interview items for the “Indirect or direct export channel” from Section 2.2.1.4 in Table 13.

#### *Indirect or direct export channel*

- How do you define an indirect export channel?
- How do you define a direct export channel?
- If IS PET uses an indirect export channel, how did IS PET decide to use that as an export channel?
- If IS PET uses a direct export channel, how did IS PET decide to use that as an export channel?

**Table 13**

**Interview questions regarding “Indirect or direct export channel”.**

During the observation at IS PET, the choice for an indirect or direct export channel will be searched for in the documents found at IS PET. This will be done by looking at the list of companies IS PET exports to. The interview item for the “*Determine indirect export channel*” from Section 2.2.1.4 has been listed in Table 13 as the third item. It is possible that IS PET uses some decision making process for selecting, if used, an indirect export channel. So not only will the interview question, as stated in Table 13 as the third item, be used, but we will also use documents from IS PET to get more information regarding this. Also when participating in the process we will look how decisions are made on selecting an indirect export channel.

The interview item for the “*Determine direct export channel*” from Section 2.2.1.4 has been listed in Table 13 as the last item. During the observation at IS PET we will observe how decisions for new direct export channels are made and how they are selected. We will also search for documents, from IS PET, which can give us more insight in the history of selecting the direct export channel(s).



#### 3.2.4.2 Designing marketing plan

The interview items and observing methods for the “Designing marketing plan” element will be described in this section. We listed the interview items for the “Market sensing” from Section 2.2.2.4 in Table 14.

##### *Market sensing*

- How do you define market sensing?
- If IS PET does apply any market sensing, how does IS PET do that?

**Table 14**

**Interview questions regarding “Market sensing”.**

During the observation at IS PET we will observe what is done, with regard to market sensing, when export to a new market will be started. We will also search for documents, from IS PET, which can give us any extra information with regard to market sensing. The interview items for the “Pricing” from Section 2.2.2.4 have been listed in Table 15.

##### *Pricing*

- How do you define a pricing strategy?
- If IS PET does apply any pricing strategy, what is that specific pricing strategy and how would you describe it?

**Table 15**

**Interview questions regarding “Pricing”.**

During our stay at IS PET we will observe what is done, with regard to a pricing strategy, when export to a new country is started. We will also search for documents, from IS PET, that can give us more information about the pricing strategy of IS PET. The interview items for the “Promotion” from Section 2.2.2.4 have been listed in Table 16.

##### *Promotion*

- How do you define promotion?
- If IS PET uses promotion, how does IS PET do that? Or why not?

**Table 16**

**Interview questions regarding “Promotion”.**

During our observation at IS PET we will observe how promotion is being used. We will also search for documents, from IS PET, that can tell us more about the promotion IS PET does.

### 3.3 Data gathering and analysis

We will gather data from different sources; namely persons, situations and written sources during our observation at IS PET (Appendix B.b.1). The data will be gathered per variable, namely “Chinese SME”, “Export”, “Mature markets” and “Decision making process” (Appendix B.b.2). We will analyze all the mentioned data by using a method called open coding, explained in Appendix B.b.3. The analysis will be done at the end and during the research. Open coding is used to prevent loss of information by using flexible codes to fit the information found (Vennix, 2006).

### 3.4 *Validity and reliability*

#### 3.4.1 *Internal validity*

Of course we want answers to our questions. But do we actually get the information we are asking for? (Saunders, Lewis, & Thornhill, 2009). That is what internal validity is for. When it is high, we can measure what we want to know (Vennix, 2006). More information regarding internal validity can be found in Appendix B.c.1. We will use a case study as scientific research and conduct semi-structured interviews to make sure the internal validity is as high as possible. We especially want the internal validity to be high because of the value of the research to the company. The case study company expects a practical advice about how to improve their export, so we need to be sure that this advice fits their situation perfectly.

#### 3.4.2 *External validity*

A case study is very specific (Appendix B.c.2). It gives lots of information, but unfortunately this information is mostly only valid for the one researched organization (Vennix, 2006). However, by making sure that the studied organization, IS PET, complies with the definition of a Chinese SME (as defined in Chapter 2), the results are partly also valid for other Chinese SMEs operating under the same conditions (Vennix, 2006). We are willing to sacrifice some of the external validity for a better internal validity for the reason explained in Section 3.4.1.

#### 3.4.3 *Reliability*

When a research is done twice (under the same conditions with the same research methods), the percentage of the conclusions being the same symbolizes the reliability of the research (Saunders, Lewis, & Thornhill, 2009; Vennix, 2006). This aspect is important when doing scientific research, because peers need to be able to check the outcomes of any research by doing the same research for themselves (Vennix, 2006).

Documentation and argumentation are very important for this aspect. Only then it is possible to follow the thinking process of the researcher and to reproduce it. The way data is gathered and analyzed determines for the largest part what the reliability of a research will be.

By using a topic list to interview employees we make sure that every topic is covered in every interview. This makes the reliability medium. Because when using a predefined question list the reliability would be higher (Vennix, 2006). But in this research a higher internal validity is preferred, as stated in Section 3.4.1. The participative observations are normally not very reliable because the situations that are observed are unique. But by using a method for noting down the memos the reliability is medium. The analyzing method being used (coding) is a reliable one. It makes the analyzing process of the researcher visible. Only if predefined codes were used, the reliability would be higher (Vennix, 2006). But again, we choose to prioritize higher internal validity.

## 4 FINDINGS

In this chapter we will describe what we found during the data gathering at the case study company. In Section 4.1 the observations made at the case study company will be discussed. In Section 4.2 we will discuss the interviews we held at the case study company and we will end this section with the findings from a visit to Los Angeles (L.A.) and follow up contact with IS PET.

### 4.1 Observations

The observations will be discussed in regard to the keywords found in the research questions from Section 2.1, the keywords found in the model from Section 2.2 and the overall observations. All the observations have been documented in the learning notes, an example of a learning note can be found in Appendix H. We have created a learning note every day during the data gathering to keep track of all the observations.

#### 4.1.1 Keywords from research question

In the following paragraphs we will discuss our findings from the observations per research question keyword.

#### Chinese SME

During the observations an employee quit and part time employees were being hired and fired, so the number of employees was variable. We have counted the number of employees four times in fulltime-equivalent and found a minimum of 24 fulltime-equivalent employees and a maximum of 30 fulltime-equivalent employees. We counted by showing up early and counting everyone entering the office. The number of employees we found is an estimation since not everyone was at the office every day.

#### Export

Export was conducted by sending packages by mail or shipping goods through a Hong Kong company. It depends on how many goods need to be shipped for which option IS PET chooses. When IS PET sends a big load of goods to another continent, they use a Hong Kong shipment company. If there are fewer goods to be shipped and/or the destination is Asia itself it will occur by using mail companies. For export IS PET has two employees which are working fulltime on the managing of the export, like processing import papers requested by specific countries.

From a discussion between one of the owners of IS PET, Mr Gao, and a colleague, Mr Pater, we found that the decision to export to certain markets was made by estimating how many products could be sold in the country. This estimation was based on a rule of thumb, one IS PET product would be sold for every thousand citizens. Also, exporting to Asia was done because it was quite easy for IS PET since it is in the region and less transportation costs are involved.

We found from another discussion between one of the owners of IS PET, Mr Gao, and us that IS PET decided to export directly to wholesalers and retailers since they wanted to be able to maximize sales and profit and did not want to spend money on a third party in between the wholesalers/retailers and them. However, they also mentioned that it was hard to find an intermediary specialized in dog clothes to help them do indirect exporting.

Before and during our data gathering we received information of where IS PET exports to. This information has been listed in Appendix A.b and shows that IS PET mainly exports to Europe, U.S.A and East Asia.

### Mature markets

The definition of mature markets was not quite well defined at IS PET. Actually, we have not found any evidence that IS PET was taking mature markets into account when it was exporting. We looked for this evidence in the documentation of exporting and the decision making processes IS PET uses for exporting. We discussed the decisions IS PET took regarding choosing certain markets and nothing related to mature markets ever came up.

However, IS PET did decide to choose certain markets in the past without knowing they did choose mature markets. From a discussion we found that these decisions were made without much research, for example, from the discussion it turned out IS PET had decided to export to the U.S.A since it is a “large market” (Gao, 2010) and “there are a lot of rich people” (Gao, 2010). They also stated that they started export to the U.S.A. since most manufacturers do so.

### Decision making process

During the participation in the company we discussed decision making processes with employees and we searched for documentation. Following from this it was found that there were only a few decision making processes, namely the following.

#### *Selecting of fabrics for new products*

When fabrics need to be selected, IS PET chooses them by design. They only take the colour and texture of synthetic fabrics into account. However, IS PET did also produce a few dog clothes in the past with real rabbit fur, those clothes were not allowed to be imported into the United Kingdom, so they decided to only use synthetic fabrics. When the so called creative team of IS PET designs a new item, they think of colours that they find appropriate for the design. Then the creative team starts searching for these colours in all the fabrics laying around at IS PET. These fabrics are used for the development of new products and are being bought on markets. When a new item has been designed, more of the same fabric will be bought for the manufacturing.

#### *Selecting wholesalers and retailers*

For the selection of wholesalers and retailers, IS PET lists all of them, categorized per country. When selecting a wholesaler, IS PET lists per wholesaler how many retailers they sell to and estimate what their market share is. From there on they select a wholesaler for a specific country. The selection of retailers is something IS PET does not do normally since retailers don't buy many goods. However, if IS PET receives a request from a retailer in a country/area they don't have any wholesalers in, they sometime sell products to them. This depends on whether IS PET wants to extend their network of wholesalers in that specific country/area since it gives a good estimation of how many customers in that area/country will buy their goods.

However, the previously mentioned decision making processes were applied differently every time they were used. The reason for this was the fact that none of the decision making processes were documented.

We also participated ourselves in some decision making processes. For example we brainstormed with an employee of IS PET about the selection of wholesalers and following from the brainstorm we got a list with requirements the wholesaler should have in order to be picked by IS PET. We started the brainstorm by defining the problem, namely how to select a wholesaler. We continued searching for alternatives and evaluated them by removing not necessary requirements. Using the remaining requirements a wholesaler could be selected. Some requirements we found are listed below.

- How many customers does the wholesaler have?
- What is the experience with dog products of the wholesaler?
- Does the wholesaler distribute dog clothes of other competitors as well?
- In what area does the wholesaler sell?

#### 4.1.2 *Keywords from the model*

During our participation in the company we found some steps corresponding to the model we have created in Section 2.2. We found that the selection of a country and product did occur, as well as setting objectives. However, those steps were already completed before we got at IS PET, for that we can only discuss observations from the “designing of the marketing plan” and the export of “choosing entry mode”. We already discussed the observations from choosing entry mode in the previous section under the keyword export.

#### Market sensing

When we first started at IS PET there was no documented way of market sensing. At first we got the idea that it was more like a ‘take whatever you can get’ mentality but after some meetings and discussions it turned out that the selection was based on an estimation of the number of dog product buyers. IS PET used a rule of thumb for that, for around every thousand people, a number from which we do not know where IS PET got it from, one will buy IS PET goods. And with that rule of thumb estimations were made.

During our stay at IS PET a competitor analysis was made. This was done before, but the documents we received did not contain much information, except for the names. A comparison of export markets of all the competitors as well as an online competitor analysis has been made, and we participated in this process.

The competitors which we compared were found through the internet. Search words like ‘dog clothing manufacturer’, ‘pet clothes’, etcetera were used. All manufacturers that manufacture, at least, dog clothing were listed. After listing all the manufacturers, we started searching for the brand names and used the number of retail shops we found selling the brand name as an estimation of how big the manufacturer was. We also used internet statistics to estimate the number of visitors the manufacturers received on their website. Following from listing all the competitors some new ideas were developed, like putting IS PET on social networks like Facebook and Twitter as competitors did.

After completing the competitor analysis everyone decided it was a good idea to list wholesalers and retailers IS PET sells to per country, since that would give an idea of the worldwide distribution of IS

PET products. It would also make acquisition easier for future employees since then they would know who already had been contacted.

Also, IS PET partially segmented the market, they advertised in specialized magazines but they always used the same messages. From observations we found this was done without knowing that it was actual segmentation since IS PET just wanted to get in contact with dog owners.

### Pricing

From observation and communication with the employees it turned out IS PET has a pricing strategy. During a discussion with one of the owners of IS Pet, Mr Gao, we received specific information about their pricing strategy. When they bring new products on the market they will sell them for a price which contains the fixed costs, variable costs and a set amount of profit. The set amount of profit is variable since IS PET looks at the prices of competitors and tries to set the price not too high and not too low. Around three months after the launch of the new product the price will be adjusted downwards. After another three months the previous price will be adjusted again downwards and from there on the product will be sold till there are no stocks left. The price will be lowered by around 25% each time. The time between the lowering is variable since it depends on factors like monthly sales, stock and time until new designs are released. We do not have any examples of pricing for specific products since we did not participate in this process and only received general information regarding the overall pricing strategy.

### Promotion

IS PET had two websites when we started our research, one with their products on it and one with information about IS PET itself. During our participation in the company we discussed with one of the owners, Mr Gao, and an employee, Mr Pater, whether it would be better to create one website since some visitors of the website were confused that there were two websites. Since IS PET wants to focus on the American and European markets, one new website has been designed containing their products and information about the company itself.

Promotion of the new products was done by sending catalogues twice a year - one winter and one summer catalogue - to all retailers and wholesalers. These catalogues only contained product information. Pricing was discussed per wholesaler and retailer individual. For example, the more products a wholesaler/retailer buys the lower the price per piece will be. Also, if the wholesaler/retailer has big plans or is starting, IS PET changes the price. Also, IS PET gives the wholesalers and retailers an indication of the price the final products should have. IS PET also promotes some products in magazines that are focused on dog owners, for example in K9 magazine, whom are focused on the target customer and target wholesaler category.

Another way IS PET did promoting was by making up names for their products that everyone could understand. Normally this was fulfilled by thinking of English names and/or words and combining them to product names such as "Spoiled dog T-Shirt", "Headset Doggie Hat", etcetera.

Promoting in high potential markets was also done at IS PET. One example of this is that IS PET received an invitation to a dog event in Los Angeles where their dog clothing would be promoted under celebrities. They decided to send someone over there to represent their brand. However, they also promote proactively; for example, three IS PET employees went with a team to a dog product

fair in Germany. For that fair they build a special IS PET stand in the shape of a doghouse so all the visitors would notice their presence.

#### 4.1.3 *Other*

Nothing regarding decision making processes or any of the other keywords has been documented at IS PET.

We had a discussion about the importance of a marketing plan and everyone decided it was something IS PET needs, so we started developing one.

IS PET hired Mr Pater, who could speak fluently English and fluently Chinese, to increase their export to English speaking countries. With his help they could promote IS PET better since most employees of IS PET could only speak basic English.

## 4.2 *Interviews*

The data gathered from the interviews will also be discussed per keyword as found in Section 2.1 and the keywords of the model from Section 2.2. Only two interviews were conducted and there was a noticeable difference in level of detail in the answers between the interviewees. This difference can be explained by the different level of knowledge and experience between the two interviewees. But since they are both involved in important processes of the company, both their answers are valuable for this research. All the data collected during the interviews can be found in Appendix F and G.

### 4.2.1 *Keywords from research question*

#### Chinese SME

The interviewees defined a Chinese SME as being flexible and not consisting of a big team. The opinion about the number of employees which defines an SME is not consistent between the two interviewees. One said it was less than fifty; the other thought all companies with less than hundred employees could be defined as SMEs.

IS PET is an SME according to the interviewees, because the number of employees is below the maximum both the interviewees gave, namely 27 and 22 fulltime equivalent employees.

#### Export

Export has been defined as “Selling goods and services from China to abroad.” by one of the interviewees (Gao, 2010). IS PET does export goods; they export to Europe, North America and Asia-Pacific. They export clothes, accessory, jewels, catalogues, posters, after sales service and support.

#### Mature markets

The interviewees define a mature market as a market full of competitors and as a market where pricing is very strong. In a mature market “Many people are copying each other products” according to one interviewee, though IS PET did not find any of their products being copied (Gao, 2010). Some mature markets are America and Japan. Europa is not called a mature market since, according to one interviewee, it is a “quite young market” (Gao, 2010).

IS PET sells their products everywhere they can and they do not focus specifically on mature markets, according to both the interviewees.

According to the interviewees the only two factors that influence the fact whether customers can buy IS PET goods in mature markets are whether there are retailers of IS PET goods and the distance between the customer and the nearest shop selling IS PET products.

#### Decision making process

During the interview all the interviewees described the decision making process as a process which starts with brainstorming by a certain person. Following from the brainstorm items will be filtered and by filtering a final decision will be made. During the filtering advantages and disadvantages will be picked. All the interviewees described the decision making process like that.

Decision making processes are being used for the selection of fabrics and wholesalers. It is also part of the product development because “we cannot take all so we have to make a decision” according to one interviewee (Gao, 2010). For the selection of fabrics, these decisions are based on the fabrics with the lowest price and best quality. According to the interviewees the decision making process has not been documented because IS PET is a small and fast growing company.

Also, reviewing steps lead to more profitable and efficient situations, according to the interviewees. Mainly because based on the reviews a summary can be made from which IS PET can learn.

The decision making process of IS PET has been defined as “Informal with no rules” (Pater, 2010) and “Experience, consultation and innovation” (Gao, 2010) by the interviewees. For example, no decision making process from IS PET has been documented (Pater, 2010), and employees make decisions based on experience: they made decisions before and learned from the ones that did not work well. For example, a few times fabrics had been selected from a specific seller who promised a good quality for a low price. However, it turned out that the fabrics were not of such a good quality. So in future decisions for fabrics IS PET did not buy again from that specific seller.

#### *4.2.2 Keywords from the model*

During the interviews we showed our model from Section 2.2 to the interviewees. Both interviewees recognized the steps taken in the model. “It looks similar to what we have been operating” (Gao, 2010) was a reaction. Both interviewees were positive about the model and agreed that the model could be used for IS PET and other SMEs since it will help other SMEs do what they generally do, only more structured.

#### Market sensing

The interviewees defined market sensing as looking at products and their trends as well as looking at a local market, situation, economy and/or population (Gao, 2010). It is used to look at what people buy and for example, what retailers sell.

IS PET looks at each market situation and makes estimation. They estimate that of every thousand citizen of a country one will buy an IS PET product (Gao, 2010; Pater, 2010).

#### Pricing

A pricing strategy can be defined as “the market value of products” (Gao, 2010) and consists of “Fixed cost, profit and variable costs” (Gao, 2010; Pater, 2010) according to the interviewees. The



profit has not been set to a constant value since IS PET chooses a final price which is in between the minimum and maximum competitor prices.

IS PET applies a pricing strategy; they start with a price that is between the ones of the competitors and decrease their price twice within 6 months.

### Promotion

Promotion is defined by the interviewees as getting the brand to be known to the public of the target market. It should be used to increase brand awareness and show the pros of the product. This is done by getting IS PET products published in dog magazines and sending someone to the Silver Spoon event in Los Angeles.

### *4.3 L.A. experience*

During our observation at the case study company IS PET, we went to L.A. for two weeks. This trip was requested by IS PET to promote their brand on an event called the Silver Spoon event, an event where celebrities were invited to get new free products. In return, IS PET got photos from celebrities who gave the IS PET products to their dogs. Secondly, IS PET got attention from celebrity magazines that were also visiting the event. After the Silver Spoon event ended, wholesalers and retailers situated in L.A. were visited to promote the IS PET brand. These visits were also an opportunity to see what the competition was selling.

### *4.4 Follow up contact*

Five months after our stay at the case study company IS PET we had email contact and received the abroad sales turnover and the profit made on the abroad sales turnover of 2009 and of 2010 till November. The data showed that the abroad sales turnover increased 15.9% and the profit of the abroad sales turnover increased 39%. Even though the data of 2010 was only until November an increase in abroad sales turnover and profit from the abroad sales turnover can be seen. The average pricing of the products stayed the same from which we conclude that the export increased.

## 5 ANALYSIS

In this chapter we will analyse the findings from Chapter 4 in regard to the keywords found in Chapter 2. Per keyword we will present the findings from the observations and the interviews. We will also briefly summarize what we expected from the theory and we will end this chapter with a short section containing information about the export growth.

### *5.1 Keywords from research question*

#### Chinese SME

In Section 2.1.1 we defined an SME as an organization with a high degree of informality or a low level of technological sophistication. But the main criterion defining an SME was that it is an organization with less than 200 employees.

During our observation we found that there were around 24 till 30 fulltime equivalent employees working at IS PET. According to the interviewees there were around 22 till 27 fulltime equivalent employees. The difference in the number of employees between the interviews and the observation can be explained by the fact that IS PET is a dynamic organization regarding employees. But the difference is in no proportion to the difference between the number of employees in practice and the number mentioned in theory.

#### Export

In Section 2.1.2, export was defined as “the transportation of any domestic good or service to a destination outside a country or region” (Ball, Geringer, Minor, & McNett, 2009, p. 17).

We observed that the goods IS PET produced were sent to all parts of the world via diverse methods. The interviewees confirmed that goods, produced in China, were shipped to Europe, North America and Asia-Pacific. The goods were being sent to wholesalers and retailers which corresponds to direct exporting (Section 2.2.1). According to our theory direct export is often used in companies who have experience with export, which corresponds to IS PET since they already sell products abroad.

Regarding our model stated in Section 2.2, we found that IS PET was aware of one of the possible negative factors of indirect exporting, namely possible lower sales potential. However, IS PET was not aware of other possible negative and positive factors of direct and indirect exporting. Though, as we mentioned before, IS PET made most of these decisions long before we got there so we might have not received all the information we needed.

#### Mature markets

Mature markets are defined in Section 2.1.3 as “in a mature market economy, the key element for managers is freedom of choice. Consumers are free to make decisions about which products they prefer to purchase, and firms are free to decide what products and services to provide.” (Griffing, 2006, p. 129).

From our observations, we can conclude that IS PET did not take mature markets into account. The interviews confirmed the observation. When asked, the interviewees also provided different

definitions of what a mature market is and therefore, some markets IS PET serves are not qualified by them as being a mature market, but according to our theoretical definition, they are.

For example, the definition stated in Section 2.1.3 as seen in the first paragraph of this section applies to the United States of America. We can conclude this from our own observations in the U.S.A. Everywhere we went consumers were free to make decisions about which products they prefer to purchase, and firms are free to decide what products and services to provide.

#### Decision making process

In Section 2.1.4 the decision making framework from Yap (1988) (Parto & Herbert-Copley, 2007) has been adapted for this research. The decision making is viewed as an iterative process in five internal stages, namely 'Problem recognition', 'Search for alternatives', 'Evaluation of alternatives', 'Decision' and 'Implementation'.

During our observation we found two processes which employees of IS PET defined as being a decision making process. We concluded by further observation that those processes were not standardized at all.

After we were participating in the company for a while IS PET noticed a few things. One of these things was that it would be better to document a decision making process for the selection of the wholesaler. For that, IS PET started searching for alternatives, evaluated these alternatives and made a decision. This decision making process was implemented in IS PET. This process can be found in the decision making framework from Yap (1988) (Parto & Herbert-Copley, 2007) as well.

The interviews confirmed the observations; it was found that the decision making process was described as a process which starts with the brainstorming, filtering items and making a final decision. This corresponds partially to the theory; the stages 'Problem recognition' and 'Implementation' were not named during the interviews.

## *5.2 Keywords from the model*

### Market sensing

Market sensing has been defined as "Defining the market", "Monitoring Competition", "Assessing Value" and "Gaining Customer Feedback" in Section 2.2.2.

From the observations it was found that IS PET applies a rule of thumb to estimate the number of dog clothing buyers per country. The rule of thumb corresponds to the "Defining the market" of our definition of market sensing since an estimation of the segmented market has been made. We also found that during our observation at IS PET a competitor analysis has been made, which corresponds to the "Monitoring Competition" of our definition of market sensing. Thirdly, IS PET calculates the price of their products by looking at the prices of competitors, so this could be seen as the "Assessing of value" of our definition of market sensing (Section 4.1.2 and Section 4.2.2). We also observed that IS PET made an estimation of the amount of products that could be sold in a country. That estimation was used to decide whether IS PET should export to that specific country. This corresponds to the theory of market sensing, however, IS PET did not use specialized sources for their estimation, only the rule of thumb.

From the interviews we could confirm the observations partially; only the rule of thumb was named as part of market sensing.

The visit to L.A., where we also viewed competitor products, can be seen as a part of market sensing, namely part of the “Monitoring Competition”.

### Pricing

In this research, Section 2.2.2, we described various methods of pricing: full-cost pricing, incremental-cost pricing, profit-contribution pricing and some entry-pricing strategies. The pricing strategy we observed at IS PET was setting an entry price containing costs with a fixed amount of profit. Then the price would be lowered two times with 25%, with three months between the setting of the price and the lowering it. The interviewees mentioned almost the same process as observed, but they said that within 8 months, instead of 6, the price will be lowered twice. And besides the elements; cost and profit, the price of competing products is also taken into mind. This pricing strategy corresponds to life-cycle planning as discussed in the literature review.

### Promotion

In Section 2.2.2, we described promotion as all communications initiated by a seller which are addressed to final buyers, channel member, or the general public with the intent to create immediate sales or a positive image for the seller’s product or company (Root, 1994).

From our observations we found that IS PET was actively communicating to channel members and final buyers, which corresponds to the theory. IS PET accomplishes this by maintaining websites, sending out catalogues, advertising in magazines and going to dog events.

From the interviews we found that promotion was accomplished by getting IS PET published in dog magazines and visiting the Silver Spoon event in L.A., this corresponds to the theory since IS PET focuses on channel members and the general public and it confirms the observations as well.

The trip to L.A. to promote the brand by celebrities and indirectly promoting the brand to the final buyers, who see what the celebrities do, corresponds to the theory regarding promotion. Also the visiting of dog product wholesalers and retailers corresponds to the communication initiated by a seller which is addressed to channel members.

However, IS PET did not take the key decisions, we have defined in Section 2.2.2, into account, namely “How much to say”, “Whom to Say it to and why to say it”, “What to say”, “Which channel to say it through” and “How to say it”. However, they did answer these questions without knowing they did since they decided “Whom to say it to”, namely the wholesalers and the final buyers as described in this section. They also decided “What to say” and “Which channel to say it through”, by making promotional texts for magazines and deciding in what magazines they should publish the text.

### *5.3 Export growth*

According to our follow up contact with IS PET we found that there was an increase of export in the year 2010 compared to 2009 (Section 4.4). We also found that the abroad sales turnover increased 15.9% and the profit of the abroad sales turnover increased 39% (Section 4.4).

## 6 CONCLUSIONS AND RECOMMENDATIONS

During this research we have completed a literature study and developed a model. The model has been tested in a case study company, namely IS PET. We collected our data by observations, interviews and analyzing documents of IS PET. Following from our data gathering we will now answer the research question defined in Section 1.3, namely:

*“What decision making process for increasing export to mature markets is appropriate for a Chinese SME and how can IS PET increase its export to the selected countries?”*

In order to answer this research question we will use the analysis made per keyword, the analysis of the model and the analysis of the export growth as seen in respectively Section 5.1, Section 5.2 and Section 5.3. We will discuss the outcome of the analysis. The answer to the research question will be discussed in Section 6.2.

### 6.1 Conclusions

#### 6.1.1 Keywords of the research question

From the analysis we can conclude that IS PET is in fact a Chinese SME since the number of employees found during the observations and interviews corresponds to our definition of a Chinese SME in Section 2.1.1. We also found IS PET applies the same definition of export as we found, namely “the transportation of any domestic good or service to a destination outside a country or region” (Section 2.1.2). Whether IS PET exports to mature markets has not been verified. This is because a mature market has a broad definition and the interviewees appeared to have different definitions for mature markets. However, if taken the definition from Section 2.1.3, IS PET does export to mature markets, for example to the U.S.A. From the findings it can be concluded that IS PET applies decision making processes. The decision making processes found at IS PET correspond partially to the decision making framework seen in Section 2.1.4. Looking back at this paragraph we can conclude that all the definitions we made in Section 2.1 correspond to the situation we found at IS PET.

#### 6.1.2 Keywords of the model

We can conclude from our findings and analysis that IS PET applied market sensing. They focused on “Defining the market”, “Monitoring competition” and “Assessing value”. However, we did not see “Gaining Customer Feedback”. So we cannot say that the part of the model regarding market sensing is correct, however, since we did not see anything that should be added to the model we conclude that our model without “Gaining Customer Feedback” is sufficient. However, there could be some added value from “Gaining Customer Feedback”, this should be tested further during future research. We conclude from the analysis that IS PET does apply a pricing strategy, which corresponds to the model. From our analysis we conclude as well that IS PET is actively promoting their goods, but in the analysis we already stated that this could be extended further. So the promotion part of the model is not fully complete. We also found out that IS PET was aware of the direct exporting they were doing.

From all of this we conclude that part of our model, namely the export from “Choosing entry mode” and the “Designing the marketing plan” is mostly correct. However, future research is needed as we will describe in the recommendations.

### 6.1.3 *Export growth*

From the analysis and the findings we can conclude that the export of IS PET grew in 2010 compared to 2009. However we cannot say that our stay, the implementing of the model and the increase in export have a causal relation. This needs to be investigated further in future research.

## 6.2 *Final conclusions*

According to our research, part of the model, namely the export from “Choosing entry mode” and the “Designing the marketing plan”, we developed is a good basis for a Chinese SME to increase export. We have seen that this part of the model is almost completely being used in the case study company. And we have seen that after improving the usage of this model the export has increased at the case study company. However we cannot say that the usage of our model and the increase in export have a causal relation, this needs to be investigated further in future research.

Based on the data we gathered in our research we can conclude that IS PET can increase its export to mature markets by documenting decision making processes and following our developed model. But as also stated in the previous paragraph, this needs to be investigated further in future research.

## 6.3 *Contribution*

We will discuss the contribution of this research to the theory and to practice in the following two sections.

### 6.3.1 *Theory*

Since we conducted a case study research we have had more practical contribution than theoretical contribution. We did find during our literature study that there is not a decision making process which can be used to increase export for Chinese SMEs, even though China has an enormous number of SMEs. For that reason this research will be a valuable contribution to the theory about Chinese SMEs. The model we have created can be used by researchers to build up on to develop a more overall applicable model for Chinese SMEs.

### 6.3.2 *Practice*

Since this research has been focused on the case study company IS PET, it will fit the needs of IS PET perfectly. For that reason, IS PET will be able to use this research without any major changes and will be able to make better decisions regarding export. However we cannot say that the usage of our model will cause an increase in export. This needs to be investigated further in future research.

Chinese SMEs, as seen during our research, have unstructured processes. One of these unstructured processes is the decision making process; IS PET did not have time to document this or even think about it. This research will provide a guideline for these SMEs to make export easier.

## 6.4 *Reflection*

In the following section we will discuss problems we have faced, the results versus the objectives, the research process and the models and theories we have used.

### 6.4.1 *Problems*

During our time at IS PET we faced a number of problems. One relatively big problem was that when we started conducting interviews one employee was missing. It turned out the employee had left the

company for another job. With three planned interviews reduced to two, the validity of the research was sadly decreased. We decided to increase the validity by using more data from our observations.

Also the language barrier was of great influence during our data gathering. Most employees we worked with could speak basic English; however, their English was sometimes faulty which made it hard to understand each other. We solved this by asking a fluent English and Chinese speaker at the company to help us translate.

Another problem we faced was the short period we stayed at IS PET. The period was too short to actually observe the whole decision making process. Since we only stayed for two months we decided to focus more on the part we did participate in, the designing of the marketing plan. This has also been discussed in Section 4.1.2.

We also faced a cultural problem, namely the fact that Chinese always say yes if you want to hear yes. That caused agreements to be delayed and confusing situations. However, it was more a problem we needed to get used to instead of one that jeopardized our research.

#### *6.4.2 Results versus objectives*

We stated the objective that IS PET should have an increase in sales after this research. From our follow up contact with IS PET we found out that there was an increase in sales in 2010 compared to 2009. So we can conclude that this objective has been reached.

An expectation from IS PET was that the increase in sales, from the first objective, will result in an increase in profit. From our follow up contact with IS PET we found out that there was an increase in profit in 2010 compared to 2009 and so we can conclude that this expectation has been fulfilled.

We also stated that the scientific objective of this research is to contribute to the current research and theories regarding SMEs. Since our research has resulted in a (basis for a) model to help SMEs with their export, we can state that this objective has been fulfilled.

The last objective we stated was that the found knowledge could be used to assist IS PET in increasing/starting export activities in the E.U., U.S.A. and Canadian markets, by developing and applying a method which medium-sized Chinese companies can use to increase export in the E.U., U.S.A. and Canadian markets. We can say that our model can be used by IS PET to improve decision making processes and so we can conclude that we succeeded in reaching this objective.

#### *6.4.3 Research process*

Having a technical background made it challenging for me to cope with social research methods. For example, looking at gravity from a scientific point of view is only possible from one perspective. However, looking at marketing from a scientific point of view is possible from multiple perspectives which makes it hard to pick the most appropriate one considering the surrounding circumstances.

Secondly, because we did a participative research we got involved in the company's processes and objectives which may have conflicted with my objectivity as a researcher. This could have caused my data gathering to be less valid which could have compromised the internal validity.

#### *6.4.4 Models and theories*

All the models and theories reviewed in the literature study are based on extensive research on all the available literature. However there might be more recent literature and/or more appropriate

models and theories to use in this research. For this research we used the model of Root (1994) as a basis for our model, however, there might be a more recent and appropriate model we could have used.

This reflection comes with a note that a literature review is, in our opinion, never complete. There are always more interesting and usable theories and models a researcher can use for the literature study. However, we have to draw the line at a certain moment and continue to the next phase of conducting research.

## *6.5 Recommendations*

### *6.5.1 Future research*

As stated in the previous sections, the validity of the research should be improved by conducting more than just two interviews. Since we had the limitations of time and available employees with knowledge about the processes we could not interview more employees. The internal validity of the research increases if more employees are interviewed.

In accordance to this, also more case study companies should be observed. During this research we only looked at the Chinese company IS PET, however, to increase validity and to be able to use our model for other Chinese SMEs as well we should look at other Chinese SMEs. These other Chinese SMEs should be chosen from as many possible different branches as possible, that way the external validity increases and the research can be applied to a broader range of Chinese SMEs.

During the interviews we noticed that some questions were too hard to understand for the interviewees. The interviewees might have felt uncomfortable in giving answers and so been influenced in their answers. For future interviews “easier” language should be used, even though that is quite subjective it can be measured by readability tests.

For our interviews we chose to use semi-structured interviews. But since the Chinese interviewees were very likely to agree with anything we have said, it would be interesting to choose another method which gives the interviewees more freedom to talk about a subject without being asked questions. With this method the risk will be that not all the interviewers’ questions will be answered, but the information the interviewer is receiving has a higher internal validity.

At IS PET we observed by participating in the daily process. Because we participated, our observations might be biased (because we interfered with the daily processes itself). For that, it might be better to observe from the sideline or to observe during participating if the role as researcher is unknown to the other employees. That way the employees will not be influenced by the knowledge of working with a researcher, which could increase the internal validity of the research.

Finally, we recommend increasing the observing time for future research. That way larger parts of the model can be observed, instead of only export of the “Choosing entry mode” and the “Designing the marketing plan” we could focus on during our research.



### 6.5.2 IS PET

We recommend IS PET to document more processes so future employees can easily read how to handle certain processes. We also recommend IS PET to keep using our model so decisions can be made more easily.

Also, we noticed that during the comparison of the pricing policy of IS PET with the ones named in the model, the one of IS PET could be improved. Instead of decreasing the price twice IS PET could think of some more 'complex' pricing strategies, like seen in Section 2.2.2.

IS PET has chosen to use direct export based on the fact that they could not find intermediates who have knowledge of dog clothes and that they wanted to maximize their profits. This decision might be analysed again based on all the negative and positive factors we listed for indirect and direct export. IS PET has also applied market sensing by defining the market, monitoring competition and assessing value. The defining the market has been done by IS PET by segmenting the market. However, from observations and interviews we found this wasn't based on any particular research so we suggest IS PET to dig deeper into it to make a funded decision for segmenting (or aggregating) the market. From pricing we found that IS PET applies some sort of pricing strategy however, this is not based on any research which we suggest IS PET to do. We also found that IS PET does promotion but they don't do anything with regard to "How much to say" and "How to say it". So we recommend IS PET to try to focus more on this part of the model as well.

Finally, we recommend IS PET to use a central storage of all documents for marketing, acquisition, etcetera. During our time at IS PET, it was hard to find all the information we needed.

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## APPENDICES

### A Structure IS PET

The following sections contain information regarding the structure of IS PET (Tang Limited).

#### A.a Production IS PET

Figure 8 shows the process IS PET uses when a new product will be manufactured.

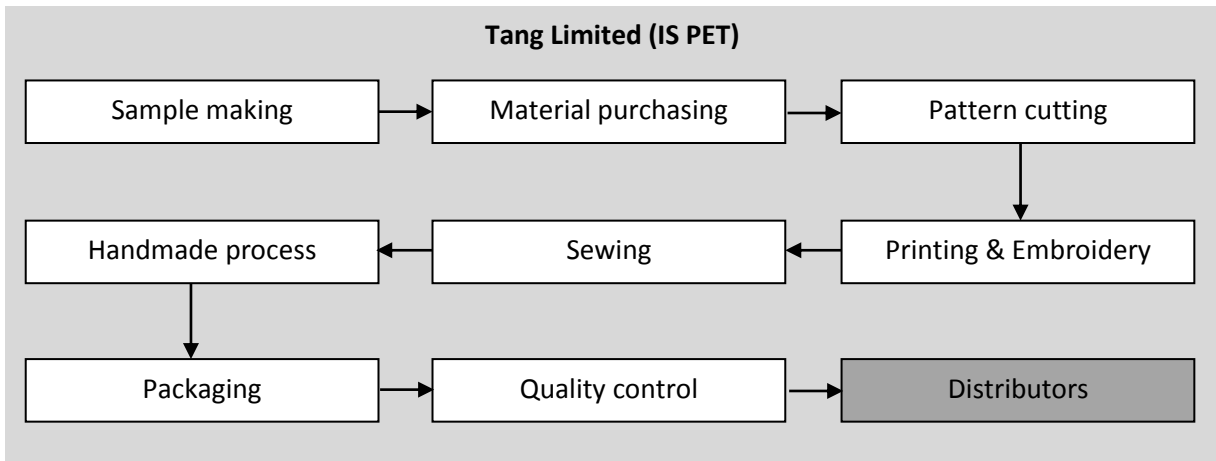


Figure 8. Production structure of IS PET.

#### A.b Partner supply IS PET

As seen in Figure 9, various products are delivered by partners of IS PET.

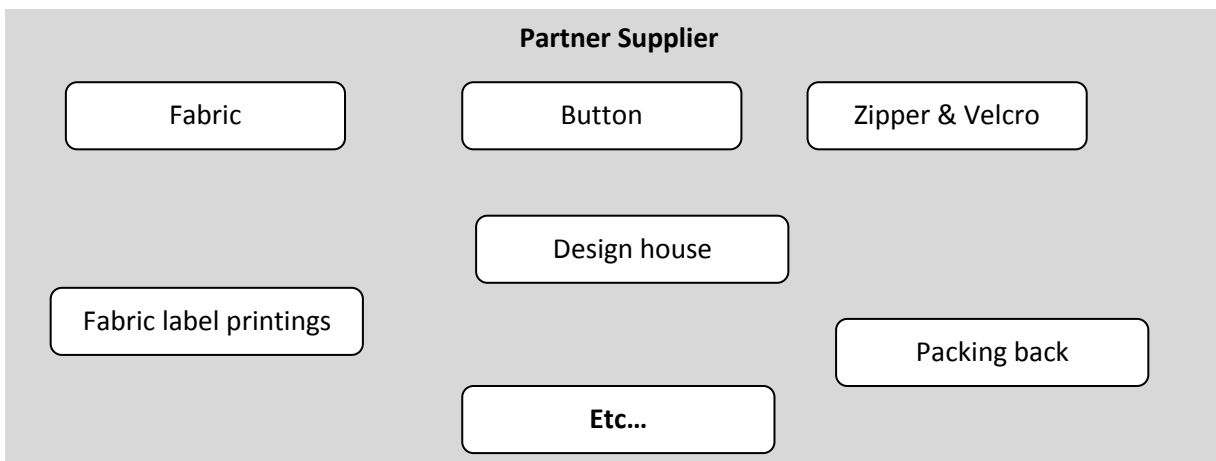


Figure 9. Supply by partners for IS PET.

*A.cTransportation structure IS PET*

Figure 10 contains the transportation of goods structure of IS PET. This structure has been extracted from data send by IS PET. As seen in the model, IS PET transports goods to wholesalers and sometimes also directly to retailers. They also transport goods sometimes directly to customers, but only in the domestic market.

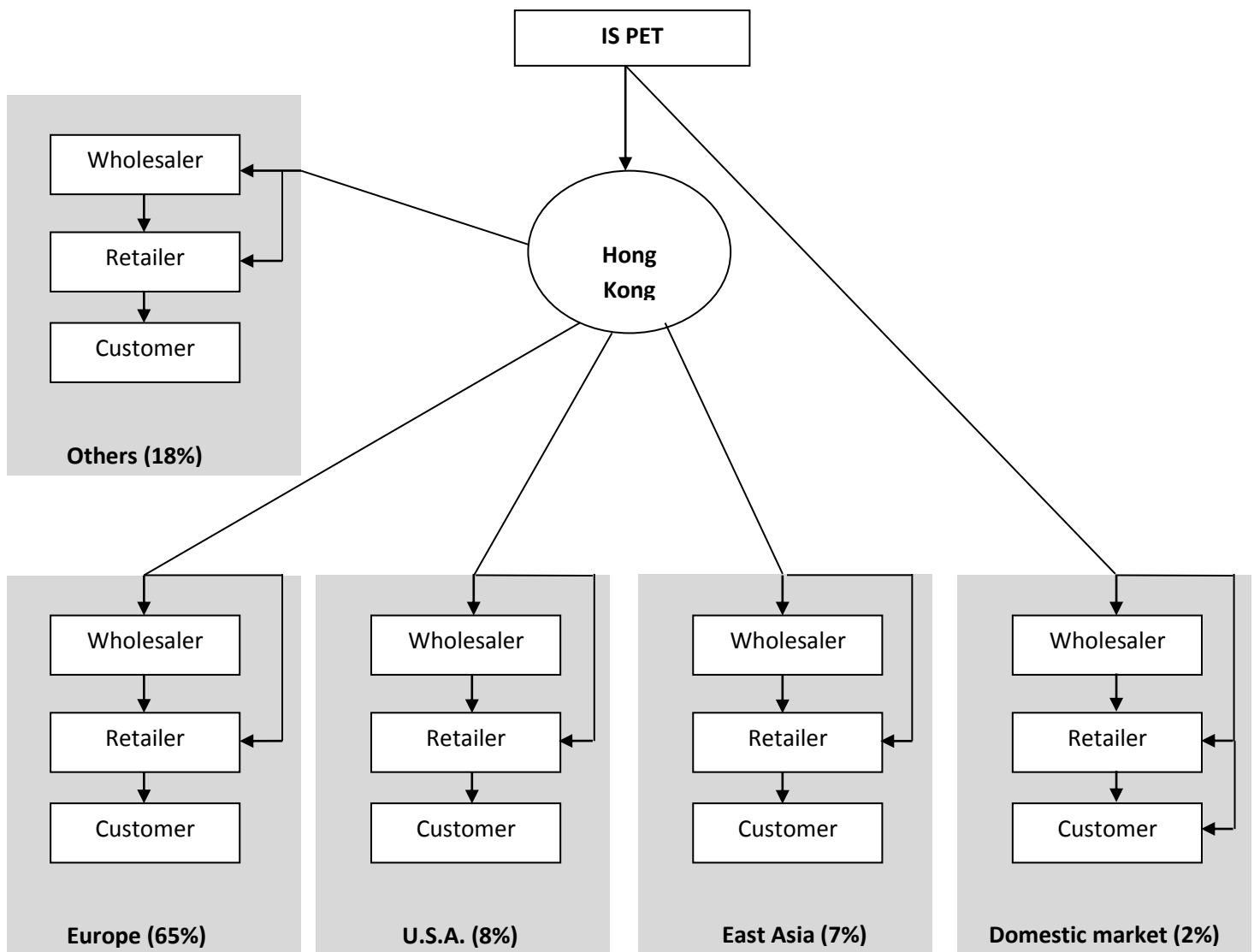


Figure 10. Transportation of goods, IS PET.



## *B Methodology*

### *B.a Research method*

The following sections contain the argumentation of why a qualitative research method is chosen and why we conduct a case study research. We also discuss the methodology of the literature review.

#### *B.a.1 Qualitative method*

Qualitative research methods will be used for this research. Qualitative research searches not only for the what, but also for the why, it is used as a synonym for any data collection technique or data analysis procedure (Saunders, Lewis, & Thornhill, 2009). This deeper understanding of events is needed in social studies because humans are self-sense making beings. This means that, because humans are all biased, we could interpret things differently and make our own truth. If we would only study the what, we would know what happened, but could not use it to predict anything (the ultimate goal of understanding a phenomenon) (Vennix, 2006). So we would like to know why a certain Chinese SME makes a decision, because only then we can understand it and make predictions about decisions made by Chinese SMEs in the future.

Next to the argument mentioned above, qualitative research is necessary in this case because all the variables mentioned in the main research question are of a qualitative measurement level. There are four measurement levels: nominal, ordinal, interval and ratio level.

When a variable is of a nominal level it can be divided into groups (for example; male/female). An ordinal variable can be more or less than something else. When we have an interval ratio there should be an equal interval between gradations. And on top of that a zero point is needed to speak of a ratio level variable.

The variables used in the main research question of this paper are of a nominal (types of decision making processes) and ordinal (more or less mature market) level. These two levels are qualitative of nature and therefore a qualitative research method should be used in this research.

#### *B.a.2 Literature review*

In order to conduct a literature study which increases the validity of the study we have to make sure that the sources get verified. Sources can be divided in three categories, namely primary resources, secondary sources and tertiary sources (Saunders, Lewis, & Thornhill, 2009). Primary sources have the lowest level of detail and do not take much time to get published since facts and used sources do not get verified in detail. Tertiary sources have the highest level of detail and need time to get published since facts and sources are verified in detail. Logically, secondary sources are in between. An example of a primary source is an e-mail or a report. A book or newspaper can be defined as a secondary source. And a dictionary or an abstract is a tertiary source (Saunders, Lewis, & Thornhill, 2009). During this research we will try to use tertiary and secondary sources, mainly because of the fact that statements made in primary sources are hard to verify and will decrease the validity of this research.

#### *B.a.3 Case study*

Because of the above mentioned arguments, a qualitative research method is chosen. Among the different qualitative research methods is the case study. The case study typifies itself by the following characteristics; the key elements will be examined in only one (or a few) study subject(s), the subject

will be examined in its natural environment over a longer period of time and multiple data sources will be used (Saunders, Lewis, & Thornhill, 2009; Vennix, 2006).

Since the model, which has been defined in the literature study (Chapter 2), will be tested in one Chinese SME, IS PET, a case study is the optimal solution. To examine whether or not the model works for this Chinese SME, a series of participative observations, interviews and data research over a longer period of time will be needed before any conclusion can be drawn. So it is a logical choice to use a case study as a research design, and looking at the opportunity to observe and analyze this phenomenon in a single study (Saunders, Lewis, & Thornhill, 2009).

### *B.b Data gathering and analysis*

#### *B.b.1 Data gathering*

During the case study data will be gathered to analyze afterwards, so conclusions can be drawn about the usability of the model described in Chapter 2 of this research. Because of the case study there will be three different kinds of sources used to gather data from: Persons, situations and written sources. Because of this triangulation of sources, it is more certain that the eventually data is correct because it will be checked by using the other data (Saunders, Lewis, & Thornhill, 2009; Vennix, 2006). Per type of source, a different gathering method will be used. The data gathering will be applied for the whole model as seen in Figure 3 from Chapter 2.

##### *B.b.1.1 Persons*

During the stay at the organization, we will work alongside the employees of the organization. So we will also talk with them and gather information that way. But much of this information will not be relevant to the study. To gather information from persons, what will be useful, the method of semi-structured interviews will be used.

First a selection of people to interview should be made because the duration of the stay is too short to interview all the employees of IS PET. With the amount of 3-5 interviews, we should be able to interview all the relevant key persons in the process. With key persons we mean: employees of IS PET which are involved in the process described in the model in Chapter 2. The actual choice for which persons to interview will be made during the stay in the organization. Only then can be seen which persons are involved in the process. The interviews will be held at the end of the stay at the organization. Then the persons involved in the process know more about it then at the beginning of the stay at the organization.

The interviews will be conducted by using a semi-structured interview method. This means that we will have a list with topics/guide questions we want to discuss during the interview (Saunders, Lewis, & Thornhill, 2009). The topics are related to the variables in the main research question (Chapter 2). From the definitions given there, we will derive the topics. The topic list, as used in the interviews can be found in Appendix D. During the interview all the topics will be discussed. The order of the topics does not matter. This makes it easier to get information from the subject because the interviewer has the freedom to ask follow up questions. These questions can deepen out the information the subject is giving, which gives a broader view (Saunders, Lewis, & Thornhill, 2009; Vennix, 2006).

##### *B.b.1.2 Situations*

Situations will be observed during the stay by using participative observation. This means that we, while observing, will participate in the actual process (Vennix, 2006). By doing this, we will see the

process from the inside. This will give us a unique insight in the working of the process and all the little aspects that are more important than sometimes is recognized. A second advantage of this method is that, when done right, the other persons involved in the process will be more open to us and give us more, detailed, information (Vennix, 2006).

There are, however, a few aspects that need to be considered when using this type of observation. The manner in which we will be introduced will have impact on how the other persons will react to us. The best way is to not introduce us as a researcher at all, because then the employees will not be influenced by the knowledge of working with a researcher. But because that is not possible in this situation (the observer, me, is foreign and therefore not likely to enter the company as a regular employee), it is best to be honest about the position of the researcher. But then, it is necessary to make the other employees see that we are committed to the same goals as them and to get us involved in the group. An open attitude of us towards the employees helps to accomplish this (Vennix, 2006).

The notation of the observations is also a point of importance. If we would participate two months and only at the end document what we have experienced, then we rely too much on our memory. And the memory works selective and is therefore unreliable (Hogarth, 1987). So we need to document on a regular basis, preferably at the end of an observation day. It is also wisely to have a structure in the notation. This makes sure that not an aspect is missed and it makes the processing and analyzing of the data afterwards easier (Vennix, 2006).

Every day, when the work at the company IS PET is finished, we will write down the observations we made during the day. These observations will be written down for every keyword of the research question, namely; decision making process, Chinese SME, mature markets and export. Using this structure, we can easily find information relevant for specific parts of the research question.

#### *B.b.1.3 Written sources*

Every company has documents. These documents can contain such things as the company's strategy or the last year results. All this information can be relevant to this study. The main focus, however, will be on gathering data from the two previous named types of sources. This is because the main research question is concerned with the decision making process. And because the main reason of the research is to gather data to see if the constructed model is useful, the opinion of the employees of IS PET and the observed situations will contain more useful information.

But written sources can supply additional information about formal procedures within the company and institutional information about the company such as financial data (Vennix, 2007). This data will be gathered when necessary to complement information from the other sources. When gathering this kind of information, permission of the company is necessary every time a document is used. Because this can contain information about internal processes, something that can be competitor sensitive.

#### *B.b.2 Data gathering per variable*

##### *B.b.2.1 Decision making process*

As described in Chapter 2, the decision making process is very complex. And because decisions are made by people it is logical to gather data about this subject using interviews. But to make sure subjects are not only giving perceived suitable answers, source triangulation can be achieved by

observing the decision making process in practice. Data analysis is not very important by this variable, but can be giving additional supportive information about formal procedures in the organization.

#### *B.b.2.2 Export*

How the company exports can be seen in formal documents. This makes data analysis suitable. But because this company (and this research) is about going to export and expanding export, there probably will not be many formal documents yet available. The most information will be gathered by observing situations concerning export. This data can be supported with inside information gathered from interviews with employees involved in the export process.

#### *B.b.2.3 Mature markets*

Since we have derived a definition in Chapter 2 of what we call mature markets, we can just gather objective facts about the markets IS PET wants to export to. Since we need objective facts, formal documents will do fine to gather the data. To get inside information about the decisions made in the process, it can be useful to know how the involved employees perceive the market. Do they think it is mature or not, because that could influence their decision making.

#### *B.b.2.4 Chinese SME*

A Chinese SME is hard to define. There were many definitions found in the literature. So this term is a bit ambiguous. But in Chapter 2 there was chosen for one definition (the operational definition). From that point on it is just case to see if the defined characteristics can be found in the case study. This can best be done by document analysis. This data is formal and therefore easily accessible. To have source triangulation the data gathering can be extended with observations (such as counting the number of employees). Because of the many definitions it can be interesting to ask some interview subjects if they feel IS PET is an SME. This can give perspective to some of the decisions that are made.

#### *B.b.3 Analyze: Open coding*

When all the above mentioned data is gathered, there will be a large pile of papers to analyze (observation memos, written documents and interview manuscripts). To draw any conclusions this data needs to be analyzed. A technique which is very useful with all this qualitative data is coding (Saunders, Lewis, & Thornhill, 2009). There are different types of coding which can be used. An example is axial coding. This method is used to explore the meaning of some variables during the study (Boeije, 2005; Saunders, Lewis, & Thornhill, 2009). Because in this study, all the variables are explained by the use of literature study (Chapter 2), this type of coding is less useful. Another method is the so called open coding: throughout the different pages of data, samples of text about the same subject are collected to compare them to each other (Boeije, 2005; Saunders, Lewis, & Thornhill, 2009).

The process of open coding contains the following steps:

- Print all the data with enough room at the side to make notes.
- Read the data line for line and define where fragments about a specific topic start and where they end.
- Define if a fragment is relevant for the research (if it fits with one of the variables as defined in the research question).
- Give the fragment a code and note this in the side line (for example; direct export).

- When all the fragments in the text are coded, compare fragments with the same code.
- Draw conclusions about the variable (or relation) which is related to the code based on the comparison of the fragments.

This model by Boeije (2005) is designed to make sure that all the data collected is reviewed and that the value of the relevant information is used correctly. By choosing the codes from the data we make sure that no value of the data is lost by fitting it in predefined codes. This enhances the internal validity (Boeije, 2005).

The analysis can be done at the end of the research or during the research. When done at the end, the research can be specified as linear. This means that when analyzing things seem unclear, there is nothing which can be done about it. But the chance of getting the same results when repeating the analysis is very high (external validity). When analysis is done during the data gathering process the process is called iterative. In contrary to the linear process, we can then switch continually between data gathering and data analysis. This makes it hard to reproduce the analysis when needed. But it gives us a great opportunity to verify found conclusions or to fill in gaps in the data found when analyzing. This enhances the internal validity (Vennix, 2006). Since this research is conducted as a case study the external validity is low to begin with, so this 'problem' is less relevant than the opportunities an iterative method gives. That is why the analysis of this data will be done during the gathering of data.

#### *B.c Validity and reliability*

##### *B.c.1 Internal validity*

When we ask a subject if he likes going on holidays and the subject tells that he went on holiday to Spain and Italy, we still do not know if the subject likes to go on holidays. So in this case the internal validity is low.

There are several things we will use in our research methods to make sure the internal validity is as high as possible. One of them is making the choice of using a case study as research method. Because of this it is possible for us to focus on one organization and get to know every aspect and detail. This 'in-depth' style of research gives more information to us to base our conclusions on. And also the source triangulation (using persons, situations and documents as sources) helps getting a high internal validity. Because the different sources can shine their light on the same subject. In this matter the information can complement each other and we can verify information by putting different sources next to each other (Vennix, 2006).

The data gathering methods can also help. Using semi-structured interviews gives us the possibility of asking more questions about a subject if it stays unclear after the first answer. On top of that, the topic list, as used in the interviews, is constructed on scientific literature. This makes sure that the topic list is objective and that the subject can give his or her true opinion (Vennix, 2006). And what better way to learn the details of a process than by working with it, as will be done in the participative observation. And by an iterative process, when analyzing, we have the possibility to get more information when necessary to clarify things (Vennix, 2006). Also, the open coding type of analyzing makes sure that no value of the information gets lost by coding (Boeije, 2005).

*B.c.2 External validity*

When there is a high external validity, the conclusions of the research are said to be general for a larger group than was researched (Saunders, Lewis, & Thornhill, 2009; Vennix, 2006). Because of some choices made in this research to get a high internal validity, the external validity is a bit low.

*B.c.3 Reliability*

According to Saunders, Lewis, and Thornhill (2009) there are mainly four threats to reliability, namely subject or participant error, subject or participant bias, observer error and observer bias (Saunders, Lewis, & Thornhill, 2009). Subject or participant error is the problem that, for example, the time a questionnaire is filled in influences the outcome of the questionnaire. Subject or participant error is, for example, the situation that an interviewee might answer what he/she thinks his/her boss wants to know. Observer error is, for example, the fact that an observer might interpret the observation faulty. And observer bias is the problem that data can be interpreted in different ways (Saunders, Lewis, & Thornhill, 2009). These threats can be prevented by looking out for them and whether or not the data collection techniques will yield consistent findings when the data will be collected by other researchers (Saunders, Lewis, & Thornhill, 2009).

### C Operationalization of the research keywords

In this appendix the complete operationalization, as described in Section 3.2, will be given. Per variable of the research question, the operationalization will take place. And at the end of this appendix, some additional questions will be mentioned which concern the tested model and the research as a process. There will also be a short explanation given about how the interviews will be conducted.

#### C.a Chinese SME

##### C.a.1 Dimensions

- Located in China (yes or no).
- Number of employees.

##### C.a.2 Indicators

These dimensions cannot be extended to indicators because of the short and logical definition.

##### C.a.3 Interview items

- How do you define a Chinese SME?
- How many employees does IS PET have?

#### C.b Export

##### C.b.1 Dimensions

- Transportation of goods or transportation of services.
- To a foreign country or to the home country.

##### C.b.2 Indicators

x	Transportation of goods	Transportation of services
To a foreign country	Goods of the company are transported outside the country as where the company is located.  Tangible assets used in foreign country.	Employees of the company perform their tasks outside of the home country of the company.  Non-tangible assets used in foreign country.
To the home country	Goods of the company stay in the same country as where the company is located.  Tangible assets used in home country.	Employees of the company perform their tasks in the same country as where the company is located.  Non-tangible assets used in home country.

**Table 17**  
**Indicators regarding "Export".**

*C.b.3 Interview items*

- How do you define export?
- Does IS PET transport goods or services, and if so where to and what goods or services?
- Does IS PET transport tangible or non-tangible assets, and if so where to and what assets?

*C.c Mature Markets*

*C.c.1 Dimensions*

- Freedom of choice (yes or no).
- Producer or consumer.

*C.c.2 Indicators*

x	Freedom of choice	No freedom of choice
Producer	Diversified assortment.  Able to introduce new product or stop to produce a product.	Legal restrictions.  Subsidy for certain products.
Consumer	Easy access to goods.  Available for everyone.	Higher taxes on certain goods.  Penalties and fines for attaining certain goods.

**Table 18**  
**Indicators regarding "Mature markets".**

*C.c.3 Interview items*

- How do you define mature markets?
- Which products does IS PET sell in the mature market?
- Which products does IS PET want to sell in the mature market?
- Are there any products IS PET wants to sell but are not allowed to sell in a mature market, and if so why do you think that is?
- Can all the customers, IS PET wants to sell to, buy the products from IS PET in the mature market, and if they cannot, how do you think that can be?
- How hard is it for customers to buy IS PET products? Please explain your answer.
- Are there any subsidies or extra taxes involved with the products in the mature markets, if so why do you think that is?

*C.d Decision making process*

*C.d.1 Dimensions*

- Linear order or iterative process.
- Leads to a more optimal solution (yes or no).

*C.d.2 Indicators*

x	Linear order	Iterative process
Optimal outcome	Decision making process leads direct to the most profitable/efficient situation.  Reviewing steps does not lead to a more optimal solution.	Reviewing of steps in decision making process leads to a more profitable/efficient situation.  Decision making process leads to the most optimal solution.



Not optimal outcome	Decision making process does not lead to the most profitable/efficient solution.	Reviewing of steps in decision making process leads to a more profitable/efficient situation.
	Reviewing steps does not lead to a more optimal solution.	Decision making process does not lead to the most optimal solution.

**Table 19**  
**Indicators regarding "Decision making process".**

*C.d.3 Interview items*

- How would you describe decision making process?
- Does IS PET use any decision making process, and please explain?
- Do decision making processes at IS PET lead to more profitable/efficient situations? How do you think that can be?
- Do reviewing steps at IS PET lead to more profitable/efficient situations? How do you think that can be?
- How do you define the decision making process IS PET uses?

*C.e Other*

Table 20 contains other interview questions related to the research but which cannot be categorized in one of the keywords named in the sections above. These questions will be asked to get a broader view of the whole research and model and will help to collect more relevant data which possibly has not been found with the interview questions created during the operationalization.

<p><i>The model</i></p> <ul style="list-style-type: none"> <li>- What do you think of this model?</li> <li>- Do you recognize the steps taken in this model, if so where do you recognize them from?</li> <li>- Would you use this model in similar situations? Why not, or if so, how?</li> <li>- What would you have done differently?</li> <li>- Do you think this model can be used by other Chinese SMEs, and why?</li> <li>- Do you think this model will be useful to increase export for IS PET, and why?</li> <li>- Do you think this model can be used to export to non-mature markets, and why?</li> <li>- Should variable(s) be added to the model, if yes then what variables and if no why not?</li> <li>- Should variable(s) be removed from the model, and why?</li> <li>- Does the model have any unforeseen influence on the company, and why?</li> </ul>
<p>Research</p> <ul style="list-style-type: none"> <li>- What do you think of my part in the process?</li> <li>- Were all the people relevant to the model involved? Why them?</li> </ul>
<p>Final</p> <ul style="list-style-type: none"> <li>- Is there anything else you would like to say about the model?</li> <li>- Do you have any questions or anything to add? If so please tell me.</li> </ul>

**Table 20**  
**Interview regarding the model, the research and some extra questions.**

### *C.f Interview method*

The semi-structured interview will consist of the questions written down in Appendix D. Since the questionnaire will be done in semi-structured interview style, we will continue to ask more questions for every written down question to get a broader view of how the interviewee thinks about the subject.

The questionnaire will start by asking questions regarding the keywords the research question consists of. These will be 'decision making process', 'export', 'mature markets' and 'Chinese SME'. By asking questions regarding these keywords one can get to know whether or not the interviewee knows what the interview is about.

After the questions regarding the keywords, questions about the model will be asked. The full list with question can be found in Appendix D.

## D Interview questions

This appendix contains a list with all the interview questions asked during the research. The list with questions can be found in Table 21.

<p><i>Chinese SME</i></p> <ul style="list-style-type: none"><li>- How do you define a Chinese SME?</li><li>- How many employees does IS PET have?</li></ul>
<p><i>Export</i></p> <ul style="list-style-type: none"><li>- How do you define export?</li><li>- Does IS PET transport goods or services, and if so where to and what goods or services?</li><li>- Does IS PET transport tangible or non-tangible assets, and if so where to and what assets?</li></ul>
<p><i>Mature markets</i></p> <ul style="list-style-type: none"><li>- How do you define mature markets?</li><li>- Which products does IS PET sell in the mature market?</li><li>- Which products does IS PET want to sell in the mature market?</li><li>- Are there any products IS PET wants to sell but are not allowed to sell in a mature market, and if so why do you think that is?</li><li>- Can all the customers, IS PET wants to sell to, buy the products from IS PET in the mature market, and if they cannot, how do you think that can be?</li><li>- How hard is it for customers to buy IS PET products? Please explain your answer.</li><li>- Are there any subsidies or extra taxes involved with the products in the mature markets, if so why do you think that is?</li></ul>
<p><i>Decision making process</i></p> <ul style="list-style-type: none"><li>- How would you describe decision making process?</li><li>- Does IS PET use any decision making process, and please explain?</li><li>- Do decision making processes at IS PET lead to more profitable/efficient situations? How do you think that can be?</li><li>- Do reviewing steps at IS PET lead to more profitable/efficient situations? How do you think that can be?</li><li>- How do you define the decision making process IS PET uses?</li></ul>
<p><i>Model per step</i></p> <p><i>Indirect or direct export channel</i></p> <ul style="list-style-type: none"><li>- How do you define an indirect export channel?</li><li>- How do you define a direct export channel?</li><li>- If IS PET uses an indirect export channel, how did IS PET decide to use that as an export channel?</li><li>- If IS PET uses a direct export channel, how did IS PET decide to use that as an export channel?</li></ul>

<p><i>Determine indirect export channel</i></p> <ul style="list-style-type: none"> <li>- If IS PET uses an indirect export channel, how did IS PET decide on what indirect export channel to use?</li> </ul> <p><i>Determine direct export channel</i></p> <ul style="list-style-type: none"> <li>- If IS PET uses a direct export channel, how did IS PET decide on what direct export channel to use?</li> </ul> <p><i>Market sensing</i></p> <ul style="list-style-type: none"> <li>- How do you define market sensing?</li> <li>- If IS PET does apply any market sensing, how does IS PET do that?</li> </ul> <p><i>Pricing</i></p> <ul style="list-style-type: none"> <li>- How do you define a pricing strategy?</li> <li>- If IS PET does apply any pricing strategy, what is that specific pricing strategy and how would you describe it?</li> </ul> <p><i>Promotion</i></p> <ul style="list-style-type: none"> <li>- How do you define promotion?</li> <li>- If IS PET uses promotion, how does IS PET do that? Or why not?</li> </ul>
<p><i>The model</i></p> <ul style="list-style-type: none"> <li>- What do you think of this model?</li> <li>- Do you recognize the steps taken in this model, if so where do you recognize them from?</li> <li>- Would you use this model in similar situations? Why not, or if so, how?</li> <li>- What would you have done differently?</li> <li>- Do you think this model can be used by other Chinese SMEs, and why?</li> <li>- Do you think this model will be useful to increase export for IS PET, and why?</li> <li>- Do you think this model can be used to export to non-mature markets, and why?</li> <li>- Should variable(s) be added to the model, if yes then what variables and if no why not?</li> <li>- Should variable(s) be removed from the model, and why?</li> <li>- Does the model have any unforeseen influence on the company, and why?</li> </ul>
<p><i>Research</i></p> <ul style="list-style-type: none"> <li>- What do you think of my part in the process?</li> <li>- Were all the people relevant to the model involved? Why them?</li> </ul>
<p><i>Final</i></p> <ul style="list-style-type: none"> <li>- Is there anything else you would like to say about the model?</li> <li>- Do you have any questions or anything to add? If so please tell me.</li> </ul>

**Table 21**  
**Semi-structured interview questions used during this research.**

## *E Notes interview*

This appendix contains all the notes made during one interview. The notes have been categorized under the keywords seen below.

*E.a Regarding keywords*

### Decision making process

Defined as Brainstorming->Filter->Final decision

Pick advantages and disadvantages from the filtering

### The model

#### Indirect export channel

For example a trading company in HK

Local retailers and wholesalers buy goods and we export them

#### Direct export channel

Shipment of goods Directly to the wholesales/retailer

#### Market sensing

Company looks at

- What people buy at that moment
- What kind of products they buy
- What retailers sell

#### Pricing

Price will be determined on the basis of:

- Product
- Image
- Profit margin
- Competitors

Fixed cost and profit and variable costs

#### Promotion

Increase brand awareness

Show the pros

Promoting

To get the products and brand known in the public of the target market

### Chinese SME

Defined as less than 50 employees

Have responsibilities that overlap

Faces a lot of challenges since there are a lot of Chinese SMEs

Flexible, not consisting of a big team

### Mature markets

Defined as a market where everyone has gotten used to. Enough products, diversity. Everyone knows where to find everything.

A market full of competitors and where pricing is very strong (high).

Many people are copying each others products.

Development space is getting smaller

Examples of mature markets: America and Japan

### Export

Export defined as production in one country and sell in another country. Including sales, purchasing, warehouse, and shipping.

### Other

-

*E.b Regarding IS PET*

### Decision making process

Not any documented decision making process, because it is a small company that is growing fast.

Decision making process for selecting wholesalers

Based on reviews we can make a summary and learn from it -> what to do and what not to do.

### Chinese SME

22 employees

Indirect around 35 excluding the sewing shops

### Mature markets

Sell all of products

The only factor that could influence the buying is distance to a shop. That is mainly because of the selection of retailers.

### Export

Exporting goods: clothes, accessory, jewels, catalogs, posters

Exporting services: after sales, help

### Other

-

## F Interview developed

Below we have typed out one of the interviews conducted under the employees involved in the decision making process, using the notes seen in Appendix E.

<p><i>Chinese SME</i></p> <ul style="list-style-type: none"><li>- <u>How do you define a Chinese SME?</u><ul style="list-style-type: none"><li>o Flexible: not consisting of a big team</li><li>o Faces a lot of challenges. Also because there are too many SMEs</li><li>o &lt;50 employees</li></ul></li><li>- <u>How many employees does IS PET have?</u><ul style="list-style-type: none"><li>o 22. Indirect around 35 excluding the sewing shops.</li></ul></li></ul>
<p><i>Export</i></p> <ul style="list-style-type: none"><li>- <u>How do you define export?</u><ul style="list-style-type: none"><li>o Selling goods and services from China to abroad. Including sales, purchasing, warehouse, shipping.</li></ul></li><li>- <u>Does IS PET transport goods or services, and if so where to and what goods or services?</u><ul style="list-style-type: none"><li>o Yes, to Europe, North America, Asia-Pacific.</li><li>o Goods: pet goods</li><li>o Services: sales, marketing, shipping service</li></ul></li><li>- <u>Does IS PET transport tangible or non-tangible assets, and if so where to and what assets?</u><ul style="list-style-type: none"><li>o No comments, already answered</li></ul></li></ul>
<p><i>Mature markets</i></p> <ul style="list-style-type: none"><li>- <u>How do you define mature markets?</u><ul style="list-style-type: none"><li>o A market full of competitors and where pricing is very strong (high).</li><li>o Many people are copying each other products.</li><li>o Development space is getting smaller</li><li>o Examples of mature markets: America and Japan</li><li>o Europe is not a mature market since it is a quite young market</li></ul></li><li>- <u>Which products does IS PET sell in the mature market?</u><ul style="list-style-type: none"><li>o We do not sell in Japan. We only sell in America and there we sell all of our products.</li></ul></li><li>- <u>Which products does IS PET want to sell in the mature market?</u><ul style="list-style-type: none"><li>o No comments, we sell everything we want to sell.</li></ul></li><li>- <u>Are there any products IS PET wants to sell but are not allowed to sell in a mature market, and if so why do you think that is?</u><ul style="list-style-type: none"><li>o It is not a mature market but we were not allowed to sell an item which contained real rabbit fur in the United Kingdom.</li><li>o Normally we enter without problems. We make common products, not illegal ones.</li></ul></li><li>- <u>Can all the customers, IS PET wants to sell to, buy the products from IS PET in the mature market, and if they cannot, how do you think that can be?</u><ul style="list-style-type: none"><li>o Yes. The only factor that could influence the buying is distance to a shop. That is mainly because we select retailers.</li></ul></li><li>- <u>How hard is it for customers to buy IS PET products? Please explain your answer.</u></li></ul>

- No comments, just answered that question.
- Are there any subsidies or extra taxes involved with the products in the mature markets, if so why do you think that is?
  - No extra costs compared to other countries. We only pay shipping costs and import tax but that is lower than in Europe.

#### *Decision making process*

- How would you describe decision making process?
  - Brainstorming->Filter->Final decision
  - Pick advantages and disadvantages from the filtering
- Does IS PET use any decision making process, and please explain?
  - Selection for fabrics
  - Part of the product development
  - Why, because we cannot take all so we have to make a decision
- Do decision making processes at IS PET lead to more profitable/efficient situations? How do you think that can be?
  - Yes, we save energy, HRM, capacity.
- Do reviewing steps at IS PET lead to more profitable/efficient situations? How do you think that can be?
  - Yes, based on reviews we can make a summary and learn from it -> what to do and what not to do.
- How do you define the decision making process IS PET uses?
  - Experience, consultation and innovation

#### *Model per step*

##### *Indirect or direct export channel*

- How do you define an indirect export channel?
  - Local retailers and wholesalers buy goods and we export them
- How do you define a direct export channel?
  - We export goods under the name Tang Limited
- If IS PET uses an indirect export channel, how did IS PET decide to use that as an export channel?
  - We use ocean shipping because of the large amounts
- If IS PET uses a direct export channel, how did IS PET decide to use that as an export channel?
  - Fast, efficient, alliance, under your name (contracts with FedEx)

##### *Determine indirect export channel*

- If IS PET uses an indirect export channel, how did IS PET decide on what indirect export channel to use?
  - Shipping time, cost, experience, safety, recommendation, (no contract)



#### *Determine direct export channel*

- If IS PET uses a direct export channel, how did IS PET decide on what direct export channel to use?
  - o Shipping time, costs, safety, recommendation (less than indirect), contract

#### *Market sensing*

- How do you define market sensing?
  - o Products -> trends
  - o Market -> local markets, situation, economy, population
- If IS PET does apply any market sensing, how does IS PET do that?
  - o Yes, look at each market situation

#### *Pricing*

- How do you define a pricing strategy?
  - o The market value of products
  - o Fixed cost and profit and variable costs
- If IS PET does apply any pricing strategy, what is that specific pricing strategy and how would you describe it?
  - o Yes, high to low. Within 8 months, 2 times

#### *Promotion*

- How do you define promotion?
  - o To get the products and brand known in the public of the target market
- If IS PET uses promotion, how does IS PET do that? Or why not?
  - o Yes,
  - o Wholesales, industry selected companies to launch
  - o Exhibitions
  - o Ads, online

#### *The model*

- What do you think of this model?
  - o Is good
- Do you recognize the steps taken in this model, if so where do you recognize them from?
  - o Yes, look similar to what we have been operating
    - Choosing target market
    - Setting objectives and goals
  - o Will help to increase export
- Would you use this model in similar situations? Why not, or if so, how?
  - o Yes, agree with the steps
- What would you have done differently?
  - o Switch choosing entry mode and design marketing plan
    - Marketing plan will help understand the market
- Do you think this model can be used by other Chinese SMEs, and why?

- Yes, companies who are not OEM
- Yes, help them to design what to do generally
- Do you think this model will be useful to increase export for IS PET, and why?
  - Yes, use it without missing anything
- Do you think this model can be used to export to non-mature markets, and why?
  - Yes, market=market
- Should variable(s) be added to the model, if yes then what variables and if no why not?
  - No, nothing
- Should variable(s) be removed from the model, and why?
  - No, nothing
- Does the model have any unforeseen influence on the company, and why?

Yes, because the market is free. Something will happen without forecast

#### *Research*

- What do you think of my part in the process?
  - Fine
- Were all the people relevant to the model involved? Why them?
  - Yes, because
    - English
    - Careful mind
    - Personality
    - Teamwork

#### *Final*

- Is there anything else you would like to say about the model?
  - No
- Do you have any questions or anything to add? If so please tell me.
  - No

## G Combining interviews

We will list all the notes made during the interviews per keyword in the following paragraphs. The notes starting with a filled black bullet are from interviewee 1 and the notes starting with a black outlined bullet are from interviewee 2. We tried to include all the notes possible.

### Decision making process

- How would you describe decision making process?
  - Brainstorming->Filter->Final decision
  - Pick advantages and disadvantages from the filtering
  - Want->think of it->make a decision
  - IS PET looks at the pros and cons
- Does IS PET use any decision making process, and please explain?
  - Selection for fabrics
  - Part of the product development
  - Why, because we cannot take all so we have to make a decision
  - Wholesales=decision making process (not documented). The wholesaler has to know what he is doing
  - Not documented because it is a small company that is growing fast.
- Do decision making processes at IS PET lead to more profitable/efficient situations? How do you think that can be?
  - Yes, we save energy, HRM, capacity.
  - Yes, we have knowledgeable wholesales. If there would be to many documents everything would go automatic
- Do reviewing steps at IS PET lead to more profitable/efficient situations? How do you think that can be?
  - Yes, based on reviews we can make a summary and learn from it -> what to do and what not to do.
  - Yes, by reflection. Not documented
- How do you define the decision making process IS PET uses?
  - Experience, consultation and innovation
  - Informal with no rules, not documented

### The model

#### Pricing

- How do you define a pricing strategy?
  - The market value of products
  - Fixed cost and profit and variable costs
  - Price will be determined on the basis of the image of the product
    - Product
    - Image
    - Profit margin

- Competitors
- If IS PET does apply any pricing strategy, what is that specific pricing strategy and how would you describe it?
  - Yes, high to low. Within 8 months, 2 times
  - No pricing strategy
    - We look at competitors en go in between

#### Promotion

- How do you define promotion?
  - To get the products and brand known in the public of the target market
  - Increase brand awareness
  - Show the pros
  - Promoting
- If IS PET uses promotion, how does IS PET do that? Or why not?
  - Yes,
  - Wholesales, industry selected companies to launch
  - Exhibitions
  - Ads, online
  - Magazines
  - Events (person, silver spoon)
  - Newsletters
  - Discount

#### Market sensing

- How do you define market sensing?
  - Products -> trends
  - Market -> local markets, situation, economy, population
  - No idea
  - Company looks at
    - What people buy at that moment
    - What kinda products they buy
    - What retailers sell
- If IS PET does apply any market sensing, how does IS PET do that?
  - Yes, look at each market situation
  - Make estimations. Like 1:1000 people buy IS PET product

#### Chinese SME

- How do you define a Chinese SME?
  - Flexible: not consisting of a big team
  - Faces a lot of challenges. Also because there are too many SMEs
  - <50 people
  - <100 employees
  - Responsibilities that overlap
- How many employees does IS PET have?
  - 22. Indirect around 35 excluding the sewing shops.

- 27 employees

### Mature markets

- How do you define mature markets?
  - A market full of competitors and where pricing is very strong (high).
  - Many people are copying each other products.
  - Development space is getting smaller
  - Examples of mature markets: America and Japan
  - Europe is not a mature market since it is a quite young market
  - A market where everyone has gotten used to. Enough products, diversity. Everyone knows everything to find.
  - Dog clothing market is not mature (except for Hollywood)
  - The number of buyers does not grow
- Which products does IS PET sell in the mature market?
  - We do not sell in Japan. We only sell in America and there we sell all of our products.
  - Everything, however it differs per region and taste.
  - Quite culture-bound
- Which products does IS PET want to sell in the mature market?
  - No comments, we sell everything we want to sell.
- Are there any products IS PET wants to sell but are not allowed to sell in a mature market, and if so why do you think that is?
  - It is not a mature market but we were not allowed to sell an item which contained real rabbit hair in the United Kingdom.
  - Normally we enter without problems. We make common products, not illegal ones.
  - Everything can be sold
- Can all the customers, IS PET wants to sell to, buy the products from IS PET in the mature market, and if they cannot, how do you think that can be?
  - Yes. The only factor that could influence the buying is distance to a shop. That is mainly because we select retailers.
  - It depend on the fact whether we have a wholesaler and retailers in the specific country
  - It is hard to find a retailer/wholesaler in: England, Spain, America
- How hard is it for customers to buy IS PET products? Please explain your answer.
  - No comments, just answered that question.
  - Depends on the country:
    - Cannot be found in every state
    - Mostly large cities
    - Online shops
- Are there any subsidies or extra taxes involved with the products in the mature markets, if so why do you think that is?
  - No extra costs compared to other countries. We only pay shipping costs and import tax but that is lower than in Europe.
  - Extra taxes in Italy. Do not know it for the rest

## Export

- How do you define export?
  - Selling goods and services from China to abroad. Including sales, purchasing, warehouse, shipping.
  - Production in one country and sell in another country
- Does IS PET transport goods or services, and if so where to and what goods or services?
  - Yes, to Europe, North America, Asia-Pacific.
  - Goods: pet goods
  - Services: sales, marketing, shipping service
  - Goods: clothes, accessory, jewels, catalogs, posters
  - Services: after sales, help
- Does IS PET transport tangible or non-tangible assets, and if so where to and what assets?
  - No comments, already answered

## Other

-

## **Learning note – 2010 – 04 - 27**

### **What I did today**

I searched all day for formal documents at the IS PET company. However, apparently not many documents are present. After questioning some employees I found out that they did not document anything because of a lack of time and priority.

### **With regard to the keywords**

#### **Decision making process**

We discussed whether or not IS PET should have one website for overseas activities. Apparently it is normal in China to have two websites for one company, namely one that states what the company does and one that lists all the products. The discussion went on between two employees of IS PET and me. Examples were shown of other Chinese companies and examples were shown of European and American companies. After agreeing that IS PET should have an easy to use website for overseas activities, the decision was made to only use one website for that.

Also, we decided in what kind of magazine IS PET should promote their products in Europe. We came to this decision by brainstorming with an employee of IS PET. During the brainstorm we listed all kind of magazines and made a selection based on subject (whether it was regarding dogs) and readers.

#### **Chinese SME**

Nothing regarding Chinese SME was discussed and/or observed.

#### **Mature markets (regarding U.S., Canada and Europe)**

Nothing regarding mature markets was discussed and/or observed.

#### **Export (increase, wholesaler, retailer)**

In order to increase export, IS PET will advertise in magazines and will make an easy to use website for overseas activities.

### **Everything else**

Nothing.