

Internationalization needs in financial crisis

*Market demand for subsidy application and internationalization
consultancy regarding **emerging markets***



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*“In recessionary times relocate stages of the value chain to emerging markets”
(Williamson & Zeng, 2009).*

Author's note

Over the past half year I have taken great pleasure in working on my master thesis for International Management, especially because the topic is directly related to my future interests. Different countries, different languages and different cultures, has long been my motivation to travel and to have a worldwide orientation. My former study Psychology confirmed my interest and provided me with cross cultural education. After having done voluntary work in Mexico I knew in the future I would like to do something with it, however this came to expression much different as I had expected. As I also studied Business Administration my interest grew to start an own company. Thinking about an idea that was internationally oriented and taken into consideration the current financial crisis leaded me and a companion student to come up with the idea of serving companies that would act upon the recession by moving their production to emerging economies in order to lower their company costs. Research could corroborate, shape, or contradict the business idea and therefore one can imagine that this topic was a great source of motivation for me. Hence, I found it very interesting to undertake this research and explore the internationalization needs and market demand for subsidy application and internationalization consultancy regarding emerging markets.

In the attempts of producing good results I must recognize the contributions of certain people. Without their help the outcome would not have been the same. Firstly, I would like to thank my supervisor Ir. J. W. L. van Benthem for his helpful coordination efforts during the research and his useful comments through which I have been able to successfully finish the Master thesis. Secondly, I would like to thank Dr. Ir. S. J. de Boer for his invaluable indications and instructions. Furthermore, I would also like to thank Dr. H. J. M. Ruel for judging my paper and providing valuable feedback. In addition, I would like to thank Rob Tuinte, companion trainee, for his ideas, which resulted in mutual business ideas and a mutual research topic, which has been divided into two sub-investigations accordingly. Naturally, I would like to thank all the respondents that have filled in the questionnaire and those who took their time to be interviewed through which value was created. Lastly, I would like thank my parents, my sisters, my boyfriend and my friends that have supported me in every way they could.

H4 Table of contents

Author's note	2
Abstract.....	5
Samenvatting/Abstract in Dutch.....	6
H1 Introduction.....	7
1.1 Background.....	7
1.2 Business proposition.....	7
1.3 Research objectives	8
1.4 Problem statement	8
1.5 Research strategy.....	8
H2 Theoretical framework.....	10
2.1 Literature Preview	10
2.2 Financial crisis.....	10
2.3 Value proposition	11
2.3.1 <i>Value offer</i>	11
2.3.2 <i>Target market</i>	13
2.3.3 <i>Resulting value proposition</i>	15
2.4 Market Demand	15
2.4.1 <i>Market demand for producing in emerging markets in the financial crisis</i>	15
2.4.2 <i>Market demand for value proposition</i>	16
2.4.3 <i>Additional market demand</i>	17
2.5 Value creation.....	18
2.5.1 <i>Customer value</i>	18
2.5.2 <i>Value creation process</i>	19
2.6 Service composition	19
2.7 Business model.....	20
2.8 Conceptual model	20
3 Methodology.....	22
3.1 Research design	22
3.2 Respondents.....	23
3.3 Procedure	23
3.4 Instruments	25

3.4.1 Scale for market demand regarding transferring production to emerging markets	25
3.4.2 Scale for market demand regarding the value proposition	26
3.4.3 Scale for additional market demand	26
3.4.4 Personal and company data	26
3.5 Data analysis.....	27
4 Research findings.....	28
4.1 Interest in transferring production to emerging markets (Q1).....	28
4.2 Interest in value proposition (Q2).....	30
4.3 Additional market interest (Q3).....	33
4.3.1 Service demand.....	33
4.3.2 Competition	34
4.3.3 Country preferences	35
5 Service strategy.....	37
5.1 Analysis service demand	37
5.1.1 General service components	38
5.1.2 Elements internationalization consultancy.....	40
5.1.3 Country specialization.....	41
5.1.4 Target market choice.....	42
5.2 Competitor analysis	43
5.3 Recommended service composition	44
6 Discussion.....	46
6.1 Conclusions	46
6.2 Reflection	46
6.3 Implications	49
6.4 Recommendations	50
References.....	53
Appendix 1: Invitation participants (Dutch).....	56
Appendix 2a: Introduction to the questionnaire (Dutch).....	57
Appendix 2b: Scale for market demand regarding transferring production to emerging markets, and regarding value proposition (Dutch)	58
Appendix 2c: Scale for additional market demand (Dutch)	59
Appendix 2d: Company data (Dutch).....	60

Abstract

As a result of the perceived changing internationalization needs by the financial crisis, a business proposition was formed about starting a consultancy aimed at assisting firms that want to internationalize to emerging markets. This research was undertaken in order to assess the current demand in the market regarding producing in emerging markets, to appraise the demand regarding the value proposition of subsidy application services and internationalization consultancy regarding emerging markets, and to explore the additional market demand regarding internationalization services by which value could be created.

This study did not reveal any direct interest in transferring production to emerging markets; hence this study did not generate any leads for prospect customers. However, the impact of research limitations on the outcome should be taken into account. Additionally, this study did show a demand in the market of 27,3% for the initial value proposition. The characteristics of this demand did not alter amongst companies of different sectors, sizes, or production areas. Lastly, an additional market demand was also present, from which several aspects that are of value to customers are utilized to create value that was added to the initial service proposition. This resulted in an optimal service composition that was recommended by this study.

Key words: financial crisis, market demand, subsidy application, internationalization consultancy, value creation, service strategy

Samenvatting/Abstract in Dutch

Naar aanleiding van de veranderende marktbehoeften door de financiële crisis is een bedrijfsvoorstel ontstaan om een adviesbureau te starten, met als doel het assisteren van bedrijven die internationaal willen ondernemen in ontwikkelingslanden. Dit onderzoek is tot stand gekomen om de huidige marktvraag te bepalen omtrent produceren in ontwikkelingslanden, om de marktvraag te achterhalen voor het waardevoorstel van subsidieaanvraagdiensten en advies omtrent internationaal ondernemen met betrekking tot ontwikkelingslanden, en om de extra marktvraag te exploreren omtrent diensten voor bedrijven die internationaal willen ondernemen waardoor waarde kon worden gecreëerd.

Deze studie onsluierde geen directe interesse in het verplaatsen van productie naar ontwikkelingslanden; derhalve heeft deze studie geen leads gegenereert als toekomstige klanten. Echter moet wel rekening worden gehouden met de invloed van onderzoekslimitaties op de resultaten. Verder wees deze studie wel een marktvraag van 27,3% uit voor het initiele waardevoorstel. De karakteristieken van deze vraag veranderden niet onder bedrijven van verschillende productiesectoren, groottes, of productiegebieden. Als laatst is er ook een extra marktvraag gevonden, waarvan verschillende aspecten zijn gebruikt die van waarde zijn voor de klant zodat waarde gecreëerd kon worden, die aan het initiele waardevoorstel is toegevoegd. Dit resulteerde in een optimale service compositie die is aanbevolen door deze studie.

Kernwoorden: financiële crisis, marktvraag, subsidiewerving, internationaal ondernemen, consultancy, waarde creatie, service strategie

H1 Introduction

1.1 Background

According to Williamson & Zeng (2009), in order to lower costs in times of recession, companies should move multiple functions, such as R&D, customer service, and manufacturing, to developing countries where wages are low. Customers have less money to spend and buy fewer products or services. Therefore, lowering the prices might be the correct response to the change of demand in the market. To be able to lower the prices companies could lower their company costs. By focusing on emerging markets for off-shoring, sourcing, and manufacturing, lower production costs can be reached, which are essential in reducing the company's overall costs and in serving the current cost-conscious customers.

Emerging economies are typified by a rapid pace of economic development, and government policies favoring economic liberalization and adoption of free-market system (Arnold & Quelch, 1998, in Hoskisson, Eden, Lau & Wright, 2000). Investing in emerging economies not only brings about low wages, production and supply costs, it also provides access to existing production capacity, business relations and markets (Centraal Bureau voor de Statistiek) and maybe even support by the local government to realize an investment by means of financial funds and subsidies.

1.2 Business proposition

It can be rather difficult for internationalizing companies to enter emerging markets to do international business. Therefore, it is interesting to serve internationalizing companies that are planning to enter emerging markets, so as to provide them with information about and service for entering these markets. With respect to this idea, it was found that there is a lack of online websites that provide clear possibilities for subsidy application regarding emerging markets, by which customers from any location can easily apply. Together with another consultant trainee this idea resulted in the mutual interest in starting a consultancy aimed at applying subsidies for firms that want to internationalize to emerging markets, with a clear website for subsidy application on the

basis. This initial business proposition is extended with providing consultancy about entering these markets, to further meet the needs of internationalizing firms.

1.3 Research objectives

The objectives of this research are to find out what the market demand is regarding this business proposition, so as to create value by which a most suitable service composition can be developed. The research is intended to provide a clear view of the current interest of the market in internationalizing to emerging markets, and the market demand and value creation possibilities regarding subsidy application services and internationalization consultancy. Build upon this, a best service composition will be given which the starting company can use to serve the target market.

In the presumption that a demand in the market for the business idea appears, a co-research is currently being executed by the companion consultant trainee (Tuinte, expected 2009) with the aim of forming a business model development structure, by which the initial business idea can be turned into a business model, hereby making use of the business models of competitors. This business model can be integrated in a business plan, by which the business proposition can be implemented into the market.

1.4 Problem statement

In order to enter the market with this business proposition, it is necessary to know if there is a demand in the market for it. A different demand in the market than the initial offer implies an adjustment to the service intentions, with the aim of value creation. This market demand is not yet known. Current research seeks to clarify the market demand by investigating the following research question: *What are the characteristics of the market demand for subsidy application and internationalization consultancy regarding emerging markets through which value can be created?*

1.5 Research strategy

In order to carry out this research a deductive approach is used with the intention to develop an appropriate model by combining several theories obtained from the literature. Then, the research model is operationalized as a methodology that can be

applied to collect data from the field. Once the data is collected, it is analyzed and formulated in terms of market demand characteristics and value creation possibilities, after which a certain service composition is recommended.

H2 Theoretical framework

2.1 Literature Preview

In order to investigate the internationalization needs in the market and the demand of the market regarding subsidy application and internationalization consultancy, several areas from the theory are interesting and are being elaborated in this section. First, the financial crisis is reviewed, which was the motive for the business idea and the resulting value proposition, which is discussed thereafter. At this point, a target market is also selected that fits the value proposition. After that, the market demand is discussed, which is expected to be influenced by the financial crisis, and which is the core of investigation in this research. This discussion is followed by value creation, the goal of this research. Shortly is elaborated on service composition, which stems from value creation and which will be the outcome of this study, and on the business model, through which this research connects with the co-research that is being carried out. At last an overview regarding the evaluated concepts is given and a clear model of the theoretical framework presented in this section is provided.

2.2 Financial crisis

The financial crisis is a summary of several financial problems: the threatening collapse of the American housing market, the sharp decline in value of the to the mortgage connected investment instruments, the depreciation of the financial institutes and the distrust among banks (Central Bureau voor de Statistiek, 2009). The financial crisis has global effects, such as the failure of key businesses, declines in consumer wealth, substantial financial commitments incurred by governments, and a significant decline in economic activity (Baily & Elliot, 2009). As a result of a declining consumer wealth consumers have become cost conscious and as a reaction to that companies need to lower their prices (Rhodes & Stelter, 2009). In order to do that, companies need to lower their company costs to be able to compete in the market.

The financial crisis offers good opportunities to reduce supply chain costs, especially regarding offshore manufacturing. Capital expenditures in emerging markets

tend to bring about lower costs of capital, labour, equipment and raw materials (Navarro, 2009). Also, falling shipping costs makes offshoring more attractive (Rhodes & Stelter, 2009). Furthermore, large scale production may lower transportation costs due to large scale discount (Krugman, 1991). Navarro (2006) argues that in times of recession companies should take risks by diversifying, outsourcing and off shoring to hedge the business cycle risk. Furthermore, he suggests that a company should develop new products and markets in response to the macroeconomic shocks.

As the financial crisis generates cost conscious consumers, it influences the demand in the market (Rhodes & Stelter, 2009). Not only the demand of customers has changed, also the demand of companies is likely to be changed aiming lower company costs. Resulting from this, a business idea originated to serve these companies with changing needs, which has led to the following value proposition.

2.3 Value proposition

Value proposition refers to the value the firm intends to offer to a specific target market segment. Therefore, after discussing the value that the firm is intending to offer, the target market will also be elaborated.

2.3.1 Value offer

The value that is initially proposed to business customers can be specified regarding subsidy application and internationalization consultancy. There is a lack of clear online subsidy application possibilities for companies that wish to enter emerging markets. This generates opportunities for the starting company for the creation of value. Customers can apply for subsidy by means of the website, which the starting company will execute against a commission percentage.

In order to offer a full package of services, it seems necessary to not only support internationalizing companies with subsidy application, but also with consultancy about how to internationalize, and about country characteristics which provoke different strategies. For instance, each country's social and political environment, as well as the

manner in which it has opened up to the outside world, shapes those markets, and companies must consider those factors as well (Khanna, Palepu & Sinha, 2005).

Although there is not a lack of internationalization consultancy on the internet, this service provides a more filled package of services that could be requested by customers. This way, customers do not have to incorporate another service company to fulfill their needs. This is the value consultancy adds to the subsidy application service.

The initial value proposition can be decomposed into several sub elements, by which the starting company distinguishes itself from its competitors. In the first place, the main distinction from competitors is that the services that are offered are specialized in entering emerging markets, which might bring a competitive advantage for companies in recession (Williamson & Zeng, 2009); for example subsidized lowering production costs. In the second place, the starting company differentiates its service from competitors by digitizing their services through a clear, extensive website, which makes the approach easier, and which reduces geographical constraints (Amit and Zott, 2001). Finally, low prices, which result from cost savings achieved through optimized infrastructure management or direct selling over the Internet (Benjamin & Wigand, 1995) are offered, which are expected to attract customers to buy the services from the starting company, instead of the competitors, especially now in the financial crisis, where people are aware of money savings.

Undoubtedly, the organization cannot start with offering services for all emerging markets, which are approximately 61 markets, due to the amount of workload. Therefore the company will specialize in the largest emerging markets, namely the BRIC counties: Brazil, Russia, India, and China. These countries are chosen, because they constitute fast growing economies with great potential. In general, preferred production locations are either close to large market demand (low transportation costs) and/or in regions of low labor costs (Feldman, Rottbauer & Roth, 1996). The BRIC countries do not only offer cheap resources, and government support to international companies, but also they constitute of a large and growing consuming market that, if production is located near, results in low transportation costs (Krugman, 1991). High growth may lead to higher returns and increased demand for capital. Capital flows that move further in their direction, could provide significant opportunities for global companies (Wilson &

Purushothaman, 2003). Even though Brazil, Russia, India and China are found to be comparable on several indices, the main success factors in each of those markets appeared very different (Khanna et al., 2005), which argues in favor for the fact that the starting company could better first specialize in only a few emerging markets, regarding the work load that it may bring along.

However, in the future the company could expand its services by offering a full range package of services regarding all emerging markets. In this case customers will not need to search for other websites. This is also a form of value creation; the convenience that the client experiences by ‘the whole package’. For this purpose the company could even think of outsourcing subsidy application and consultancy to other companies. Outsourcing might be an efficient way to expand capabilities to cover a greater area of emerging markets and to meanwhile learn more about competitors’ strategies and methods. By means of outsourcing a commission can be earned on the service provided by another and knowledge can be retained, so that the company can grow quickly to later on manage these activities itself.

2.3.2 Target market

A target market refers to a market scope of the area in which a company does or does not compete (Hamel, 2000). For a starting company trying to gain market share it is relevant to address the right target market with the service that is to be offered.

Market segmenting is necessary to demarcate the size of the market that is being served, so as to better balance the value proposition with the value assessed by customers. Market segmentation is defined as the process of partitioning a market into groupings of firms that have relatively similar requirements and preferences for market offerings (Freytag & Clarke, 2001). A company can sell their products/services either to businesses (business-to-business) and/or individuals (business-to-consumer). The starting company will sell its services to businesses, which from now on will be called ‘customers’ throughout this paper.

Regarding the starting company the whole market cannot easily be divided in certain markets or industries that can best be served, since all companies that are willing to invest in emerging markets are potentially eligible for subsidies, that is, if they meet

certain requirements, such as sustainability and socially justified enterprising (ethical acceptable standards for employees). However, production companies might be most the most lucrative group regarding cheap labor for mass production. Moreover, such companies might be interested in both subsidy application and consultancy regarding internationalization.

Besides segmentation by company characteristics, a distinction can be made between the size of companies that can be served best; Small and Medium Enterprises (SMEs) or Large Organizations (LOs). According to the European Union SMEs in the industrial sector consist of no more than 249 workers, a maximum of 40 million euro annual turnover, and a maximum 27 million euro annual balance-sheet total (Loecher, 2000). Companies that exceed these criteria are classified as large companies. SMEs are subdivided into microcompanies (0 - 9 employees), small companies (10 - 49 employees), and medium companies (50 - 249 employees). In comparison with LOs (>250 employees), SMEs have some interesting characteristics, namely SMEs cope with limited resources and a lack of experience in conducting formal market research and segmentation studies. Furthermore, the owners/managers of SMEs lack in marketing skills and expertise (Siu & Kirby, 1998). Due to these characteristics SMEs tend to limit their marketing to their own market or industry (Carson, 1990). Hence, the interest for internationalizing might increase if the right skills and resources are offered to the SMEs. In contrary LOs have enough resources already. The need for subsidy is less and they are able to hire an internal expert on internationalization.

Besides company size, market size is also a relevant market segment attractiveness factor (Dibb, 1999). Although the Dutch market is relatively small, historically it has a very prosperous and open economy in which international trade has always played an important role. Furthermore, it is a technologically advanced country, in which innovation and internet use is apparent. The country seems to be an appropriate market for selling subsidy and internationalization services.

The outcome of the market segmentation leads to expect that the best segment that potentially maximizes the value proposition is the market of Dutch production SMEs with emerging markets in prospective. This target market is supposed to provide the market demand that is needed to create value from the value proposition.

2.3.3 Resulting value proposition

The resulting value proposition of the starting company is to offer Dutch production SMEs with emerging markets in prospective, a convenient way of applying for subsidy and internationalization consultancy. Through a website the starting company intends to offer clear information about how to apply for subsidies directly through the website and about personalized consultancy possibilities for internationalization plans.

The value proposition itself does not necessarily create value. This effect is dependent on market demand; if there is a demand in the market for the services proposed, than value is created.

2.4 Market Demand

Market demand is essential for the creation of value. Without market demand, there is no value for the customer and no value for the firm. Market demand is the core concept of investigation and will be explored regarding the interest in internationalizing to emerging markets, the interest in the value proposition and regarding the additional value creation possibilities.

2.4.1 Market demand for producing in emerging markets in the financial crisis

In order to explore whether companies are interested in the value proposition of subsidy application and internationalization consultancy, first the interest of companies for transferring their production to emerging markets needs to be investigated. Without companies willing to transfer, there is no demand for subsidy application and no demand for consultancy regarding how to establish in emerging markets.

As already mentioned, producing in emerging markets could bring about lower company costs that are necessary in times of recession (Williamson & Zeng, 2009). Besides, Navarro (2006) argues that by diversifying into foreign markets, companies can achieve greater economies of scale. He furthermore asserts that many companies find offshoring a valuable strategy in the reduction of business cycle risk in necessary times (Navarro, 2006). Accordingly, it is expected that a market demand for shifting production to emerging markets appears. However, this research deals with a different target market,

and therefore the demand in the selected target market needs to be investigated. This leads to research sub question 1: *What are the characteristics of the demand in the market for transferring production to emerging markets in the financial crisis?*

If a demand in the market appears and companies are indeed interested in transferring their production to emerging markets, than a potential market for the value proposition has arisen and the market demand for the value proposition gains importance.

2.4.2 Market demand for value proposition

The innovative aspect of the value proposition in the long run is to create a website that applies to all subsidy application possibilities and internationalization consultancy with regard to all of the emerging markets, with, in the first instance, outsourcing as focal point of being able to offer all these services. There is not one website that offers this service yet and therefore it is expected that there might be a demand for it in the market. Clarifying this expectation, due to the financial crisis the banks are very reserved to lend money to companies (Ivashina & Scharfstein, 2008); however governments still provide subsidies to companies when their objective is expected to stimulate sustainable economic development within emerging markets (EVD, 2009). Especially emerging markets can still use economical stimulation, for example employment. Furthermore, the study of Khanna, et al. (2005) revealed that success factors differ very much per country and the approach to enter these markets should therefore also be adjusted, which supports the fact that consultancy services can be very useful for internationalizing companies. Especially in the financial crisis success of an establishment in an emerging market can be vital to the survival of a company. Hence, it is expected that in the financial crisis an interest in subsidy application services and internationalization consultancy regarding emerging markets is still present. However not so may research has been done about this topic and this topic therefore seeks further investigation, leading to research sub question 2: *What are the characteristics of the demand in the market for the value proposition of subsidy application and internationalization consultancy regarding emerging markets?*

Once a market demand regarding the value proposition appears, then value is created. Besides a demand in the market for the value proposition, an additional demand might also be present, which is discussed next.

2.4.3 Additional market demand

Goal alignment can be attained through superior seller compliance with buyer demands. The more the goals of the seller correspond to those of the buyer, the higher are the transaction costs for the buyer to seek alternative sources of supply (McKee, Conant, Varadarajan & Mokwa, 1992; Yao, 1988). Hence, it seems indispensable to engage customers in the creation of value. This notion is supported by Prahalad and Ramaswamy (2004) who assert that customers participate in the processes of both defining and creating value, making the co-creation the very basis of value. Therefore, not only the target market's demand for the value proposition is interesting to investigate, yet also the wider demand concerning internationalization to emerging markets is interesting to investigate, and may result in value creation. What other services do customers value? Perhaps there is a special demand in the market for trainings, documentation or intermediary activities between foreign and home country agents. This additional market demand may bring about new dimensions of value creation through which the final service composition can be extended. This additional market demand is not yet known, and needs to be explored. This leads to research sub question 3: *What are the additional characteristics of the demand in the market regarding internationalization to emerging markets through which value can be created?*

The additional demand is directly related with value creation. Once it is clear what is demanded or wished for by potential customers, which is of value to these customers, then value is created. Additional market requests are at the same time value creation possibilities. In this sense, the additional market demand can be considered as a form of value creation. Value creation is the main goal for the starting company and will therefore be elaborated hereafter.

2.5 Value creation

In order to implement a new business idea into a profitable service it is necessary to understand what drives a customer to buy a certain service. Which aspects does a customer value the most? Where would the customer pay for? In this case: which current and prospective services are of such value to customers that they are willing to pay for these services resulting in revenues for the starting company? In other words: how do customers perceive value and how can value be created?

2.5.1 Customer value

Value is the total worth of benefits received for the price paid (Simpson, Sigauw & Baker, 2001). One can imagine that if customers notice that the benefits of the provided service exceed the total costs of that service, customers would be willing to pay for the service offered, which on its turn is the value for the firm.

Zeithaml (1988) asserts in the first place that, customers equate value with a low price; a low price provokes a quick satisfaction. Secondly, that the benefits of a product/service are the most important components of value. Third, that value is a trade-off between quality and price. And at last, that value is a trade-off between the benefits received and all the sacrifices that a customer had to make in order to obtain the product/service. All these aspects can be seen as customer value determination data, which, according to Woodruff (1997), contribute to the process of learning about customer values. He mentions six other factors that influence the customer value determination process, about which data could be collected so as to convert it into predictions. These factors entail macro environmental data, customer current complaints, competitors' offers, customer visits data, sales person call reports data and customer targeting data. These factors can facilitate the construction of a questionnaire or interview regarding customer value. The strategic orientation of customer value aims at assessing how value can be created for customers and by which means a supplier's market offering can best meet customer requirements (Eggert & Ulaga, 2002).

2.5.2 Value creation process

Value creation is vital in an organization; it influences the decision making process of a customer to favor and/or purchase company's products/ services over the ones offered by the competitor (Lemon, Rust & Zeithaml, 2001). Value creation is a process that consists of several steps. Anderson and Narus (2004) brought about three steps: understanding value, creating value, and delivering value. After exploring customer value through the investigation of the market demand, a clear understanding of what is of value to customers will be obtained, which will potentially lead to the creation of value that can be delivered to the customers. However, since the starting company does not offer a service to the market yet, not only value creation is of relevance to deliver the added value to the market, yet the complete service offer needs to be composed, with which an entry to the market can be made. Therefore, in the process of the starting company, after value has been created, two extra steps are added so that the value can be delivered to the target market, namely service composition and business model. In so doing, the value that has been created can be implemented in the most suitable way.

2.6 Service composition

Service is the set of facilitating goods and the explicit and implicit intangibles that constitute a service product bundle (Sasser, Olsen & Wyckoff, 1978). A service can be composed by combining the relevant dimensions of value creation. After having explored the target market's demand for the value proposition and the dimensions to which this demand is extended by which extra value can be created, this research provides a best service composition. One can imagine however, that the market demand for the service composition depends on what is already offered in the market by competitors. Therefore, additional research that is competitor oriented is needed in order to obtain an integrated and complete understanding of the market demand. In this research competition is briefly examined, so as to being able to provide a best service composition. In the co-research that is currently being executed by Tuinte (expected 2009), the business models of competitors are being examined, which will result in more extensive information about the competitors. The service composition recommended by this study can be integrated in

a business model by which the company could provide its services to the target market, depending on the research results.

2.7 Business model

A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities (Amit & Zott, 2001). As already is mentioned a co-research is being executed regarding the same business idea (Tuinte, expected 2009). In this co-research an action plan is being formed, so as to turn the initial business idea into a business model, hereby making use of the business models of competitors. This business model can be integrated in a business plan, by which the eventual service composition can be implemented into the target market for the first time.

2.8 Conceptual model

The theory previously highlighted in this chapter can be integrated into a model. From a possible shift in the market towards producing in emerging markets due to the financial crisis a value proposition was done that comprised subsidy application services and internationalization consultancy for production SMEs with emerging markets in prospective. It seems lucid that prior to implementing this service into the market, companies' interest in shifting to emerging markets needs to be revealed. Furthermore, the initial value proposition needs to be tested on market demand for its value. If there is a demand in the target market for the value proposed than value is created. However, if the market demand extends the initial value proposition, that is, if there is an additional demand in the market that is not covered by the value proposition, but that does relate with the content, than this is an extra source for value creation. This demand in the market is also investigated. Hence, market demand is the core concept of investigation, and is therefore marked in red in the model (figure 1). The interest in producing in emerging markets in the financial crisis, the market demand for the value proposition and the additional market demand regarding the proposed services constitute the main lines of investigation in this research and the arrows that represent these lines of investigation in the model are therefore also marked red.

When optimal value is created a best service composition is generated to fully exploit the target market's demand. This service composition can be incorporated in a business model that can serve the market. In figure 1 the business model is included, in order to glimpse the interface with the parallel research about the business model that is done regarding the same business proposition. However, the business model does not form part of this research and therefore is only vaguely visible in the conceptual model.

The relations between the diverse concepts with regard to market demand and for the value proposition can be visualized in the following conceptual model:

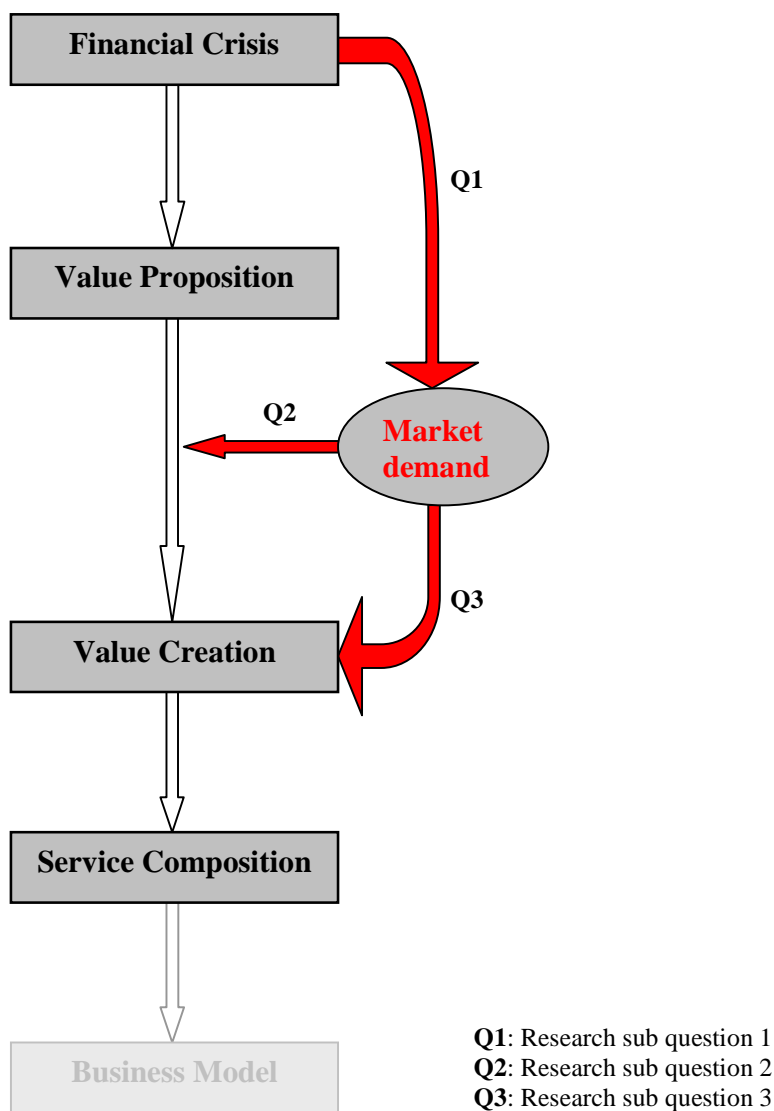


Figure 1: conceptual model

3 Methodology

In order to investigate the market demand and value creation possibilities regarding subsidy application services and internationalization consultancy, so as to generate a best service composition, a survey amongst production companies was held. Additional semi-structured interviews were held with the aim of further exploring market demand and value input. In this section research design, respondents, procedure, instruments and data analyses are described.

3.1 Research design

In this research, surveys and interviews were combined so as to obtain quantitative as well as qualitative information about the market demand and value creation possibilities regarding subsidy application and internationalization consultancy. This information is later on used to provide recommendations for a service composition that could be integrated in a business model.

A part of this research has a descriptive design. This regards the investigation of the current market demand for shifting to emerging markets, and the demand for the value proposition. Survey research is real life research in the empirical environment in which all the other dimensions are being equal (Baarda & De Goede, 2001). Using this approach had the advantage that respondents could be reached in a relatively easy way, and that the results could be compared easily.

Besides descriptive, this research is also explorative, because the research question is an open ended question. It is an informative research that can be used as a foundation for the development of a service composition that fits the needs of the current target market. Therefore, open questions were used and additional interviews were conducted so that valuable information of organizations could be obtained. Interviewing techniques seem to cause the least bias (Baarda & De Goede, 2001) and result in gaining a deeper understanding of underlying motivations and reasons (Malhotra, 2004), which would not be given in a survey. Although the interviews were subjective and not generalizable, they were expected to heavily contribute to this research, especially with the aim of recommendations for a service composition.

3.2 Respondents

This research constituted of 66 respondents from diverse production branches of diverse provinces in The Netherlands. This composition was chosen to minimize environmental influences on this research. Among the respondents were a total of 33 managers and 33 employees. They were required to have insight in their company's strategies. Of the total group a number of 41 respondents filled in the digital questionnaire, and 25 respondents were interviewed. The appropriateness of including employees into the research was assessed by testing for differences between the group of managers and the group of employees.

Regarding company characteristics of the total group of respondents, the companies' production sector was very diverse, although most companies were operating in the sector of hoisting, fork-lifting and transport equipment (16,7%), the sector of other machinery and equipment (13,6%) and then in the sector of iron, steel and ferro alloys (12,1%). The remaining production sectors comprised less than 10% of the respondents. The size of the companies varied from Small Enterprises (71,2%) to Medium Enterprises (16,7%), Micro Organizations (10,6%) and Large Organizations (1,5%). Companies of all sizes were selected, so as to simultaneously test for the assumption that SMEs are more interested in hiring externals for their subsidy application or consultancy needs than large organizations. Also the companies' production range differed from regional (50%), to national (36,4%) and international (10,6%), with productions mainly in Germany and Belgium.

3.3 Procedure

Prior to commencing the study, a pilot research was carried out to investigate whether the participants experienced difficulties with the questions asked. No suggestions were made by the participants and they declared to have fully understood the questions. Then, the questionnaire was published on the internet by means of the website "thesistools.com". Subsequently, the respondents could be recruited by means of an email invitation (see appendix 1).

The production companies were selected by means of a list obtained from the Chamber of Commerce. Chosen was to approach production companies from the

following branches as classified by the Chamber of Commerce: car parts and accessories; basic chemicals; chemical products; electro motors and generators; electrical domestic devices; hoisting, fork-lifting and transport equipment; iron, steel and ferro alloys; medical chirurgical equipment; machines for iron and steel products; optical instruments; telecommunication devices; textiles; conveyance; other domestic devices; and other machinery and equipment. These branches match the sectors the most that are expected to be successful in the BRIC countries, and whose production in attendance would be close to its distribution area (Central Intelligence Agency).

In the survey research participants were asked to fill in a digital questionnaire about their interest in transferring production to emerging markets, and in subsidy application services and internationalization consultancy accordingly. Respondents were not told what the study was for, in order to avoid potential inclinations of the participants to answer in ways they would assume to match the goal of the research, or to answer inappropriately hoping to keep out approach in the future. A hyperlink to the questionnaire accompanied the invitation. After the respondents entered the questionnaire, a small introduction to the questionnaire (see appendix 2a) was provided. The introduction included information about, for example, how much time the questionnaire would take on average to complete, and that their participation would be anonymous. Subsequently, the questionnaire followed (see appendix 2b-2d) with a short description of questions that followed on every page of the questionnaire. Upon completion, respondents could select a button for submitting their answers. The results of the questionnaires were collected in an excel file and thereafter converted into a SPSS file where the data was further processed.

In the interview research, respondents were interviewed regarding the same constructs and with the same questions as in the questionnaire (see appendix 2b-2d). The respondents for the interviews were randomly chosen from the group of selected participants. It was expected that not much respondents would actually have the time to participate in a face-to-face interview, and besides, the advantages of being face-to-face with participants was not expected to outweigh the travel time to visit participants of a representative sample. Therefore, it was decided to make telephone interviews in stead. The results were processed in the same excel file as where the questionnaires flew into,

so that the same statistical procedures could be used. The extra information obtained from the interview was not used for generalized outcome statements, but had as only goal to receive extra input and ideas.

3.4 Instruments

In the light of current research a questionnaire was constructed. The questionnaire was divided into four parts that measured respectively the market demand for transferring production to emerging markets, the market demand for the value proposition, the additional market demand, and company data.

In order to obtain valuable extra information regarding the market demand from the target market, a semi-structured interview was constructed. This interview encompassed the same content as the questionnaire (see appendix 2b-2d), but in this case all the items could be elaborated well, so that the internationalization needs could be understood and explored better.

3.4.1 Scale for market demand regarding transferring production to emerging markets

In order to expose a demand in the market for the value proposition, a demand in the market for transferring production to emerging markets needs to be present. This research intends to investigate whether there is a demand in the market for producing in emerging markets and what the characteristics are of this demand (Q1). To measure this market demand and its characteristics a scale was especially designed (see appendix 2b). The scale for market demand regarding transferring production to emerging markets consists of three questions. Two of the questions could be answered on a 5-points Likert scale (1 = totally not / 5 = a lot), and one was an open question by which the respondents could explain their (dis)interest. The main item by which the interest in transferring production to emerging markets was measured is: “To what degree would you, by the financial crisis, be more interested in transferring production to emerging markets?”. The scale was validated for its utility. Chronbach’s Alpha showed a reliability of the scale of .67.

3.4.2 Scale for market demand regarding the value proposition

In order to create value by the value proposition, a demand in the market for it needs to be present. This research also intends to investigate whether there is a demand in the market for subsidy application and internationalization consultancy and what the characteristics are of this demand (Q2). To measure this market demand and its characteristics a scale was designed (see appendix 2b). The scale for market demand regarding the value proposition consists of two questions. In order to keep the questionnaire consistent, the multiple choice items of this scale were to be answered on the same 5-points Likert scale as the questions of the scale for market demand regarding transferring production to emerging markets (1 = totally not / 5 = a lot). The item that was used to measure the interest in subsidy application is: “To what degree would you be interested in online subsidy application possibilities?”. The item that was used to measure the interest in internationalization consultancy is “To what degree would you be interested in advice regarding internationalization strategies?”. The scale’s reliability is .84.

3.4.3 Scale for additional market demand

In order to explore extra sources of value creation for the starting company, the additional demand in the market needs to be revealed. This research furthermore intends to investigate this additional market demand and its characteristics that do not only refer to the initial value proposition, but to internationalization needs in general (Q3). To expose this additional market demand a scale was specifically designed (see appendix 2c). The scale for additional market demand consists of five open questions, so as to explore the current shortage in the market regarding internationalization needs and to generate ideas and creativity of the target customer. An example item of this scale is “For what kind of service regarding internationalization would you plea?”.

3.4.4 Personal and company data

At the end of the questionnaire participants were asked for some company information (see appendix 2d), namely company name, production sector, company size,

production area and respondent's position. These factors might possibly reveal a relation with market demand. Subsequently, they could serve as extra information useful for finding causes in potential cases of unexpected outcome, for follow-up research or for approaching future target customers. Finally, they were asked for personal remarks if they had any.

3.5 Data analysis

To be able to make generalizations and recommendations, the obtained data had to be analyzed. The different scales of market demand were analyzed differently in this research.

The market demand for transferring production to emerging markets and the market demand for the value proposition were analyzed by means of descriptive statistics. This study does not lend itself to great statistical procedures; only multiple regression analysis was briefly conducted to test for differences in market demand between several company factors, such as size, production area and sector. However, due to the small sample sizes per company factor, it is unlikely to find influences of the company factors on the market demand. That is also the reason why t-tests were not used.

The additional market demand is only used to generate ideas regarding additional value creation. Therefore, the outcome of this scale cannot be statistically analyzed and is thus subjectively analyzed and categorized into several main dimensions of value creation possibilities.

4 Research findings

First in this section, the research findings regarding the market demand of companies for producing in emerging markets are described. Hereafter, the market demand for online subsidy application services and for internationalization consultancy is depicted, together with respondents' motives why they are or are not interested in producing in emerging economies. The descriptive efforts then focus on the additional market demand by which value can be created for the starting company. For this purpose, shortly competition in the field of subsidy application and internationalization consultancy is elaborated, and country preferences are portrayed.

Unless mentioned differently, the data of respondents that filled in the questionnaire and the data of respondents that were interviewed have been grouped together (total group: $N=66$). The questions asked for both groups were exactly the same, and their response method did not have a significant effect on the research findings. By grouping these two data sets together the amount of respondents increases by which more generalized statements can be made.

4.1 Interest in transferring production to emerging markets (Q1)

To reveal the market demand for transferring production to emerging markets, respondents' interest in it is portrayed hereafter, followed by the reasons of the companies for their (dis)interest in transferring production to emerging markets.

As can be seen in the bar chart in figure 2 the majority of the companies was not interested in transferring their production to emerging markets. Additional findings depicted in figure 3 reveal that subsidy acquisition does not seem to influence the interest of the companies to transfer their production to emerging markets, that is, most companies are still not considering to transfer their production to emerging markets when offered subsidy.

When measuring the relations between company factors (such as company size, and production range) and the market demand for the value proposition, multiple regression analysis was carried out, however no significant effects occurred. This means that the interest in transferring production to emerging markets does not seem to differ

among companies from different sizes and with different production ranges. However, these results need to be interpreted very carefully due to the small number of respondents per company factor category. This topic will be further elaborated in the discussion. Influence of company sector is also not visible due to an even smaller number of respondents per category.

To what degree would you, by the financial crisis, be more interested in transferring production to emerging markets?	
Totally not	
1	#56 84,8%
2	#7 10,6%
3	#3 4,5%
4	#0, 0%
5	#0, 0%
A lot	N=66

Figure 2: Bar chart with frequency distributions of interest in moving production to emerging markets

To what degree does your consideration to transfer production to emerging markets depend on the acquisition of subsidies?	
Totally not	
1	#46 69,7%
2	#12 18,2%
3	#7 10,6%
4	#1 1,5%
5	#0, 0%
A lot	N=66

Figure 3: Bar chart with frequency distributions of subsidy dependence in moving production to emerging markets

Viewing the motives of companies with regard to the apparent disinterest in transferring production to emerging economies, it becomes clear that companies in general have equal motives. Therefore, their answers are categorized in several dimensions. Of the production companies in this research 28,8% offer their clients specialized product solutions (including reparations) and they do not enclose mass production, which is their main reason not to transfer their production in emerging markets. This leads to speculate whether the target market was correctly chosen, which will be elaborated in the discussion. Another 27,3% of the respondents found the costs for transferring to high. Not only set up costs, but also transportation costs for the products if their market was in Europe. These two arguments are closely related with the third most

relevant dimension (18,2%) mentioned by the respondents; emerging markets were far from their sales market in Europe. Some other main dimensions constituted little control over the situation and employees in emerging markets (12,1%), and satisfaction with the current state of work/location/profit (12,1%). Some minor dimensions of motives (<10%) were in the first place risk, uncertainty and instable markets due to the financial crisis, a reduced amount of know how and quality diminution in emerging markets, and knowledge transfer by sending specialized staff is indispensable. Furthermore, some companies stated not to produce labor intensive, and others to produce small scale; hence they first prefer expenditure in the Netherlands. In addition, some companies mentioned longer physical and communication lines, excessive bureaucracy, language barrier, and lack of quick delivery time. And finally, some companies were more interest in partnership, export, or take-overs.

In contrary, there were a few companies who mentioned advantages of transferring production to emerging markets, namely 3% mentioned lower labor costs, and 1,5% mentioned a new sales market.

Summarizing these results, in general companies in this research are not interested in transferring their production to emerging markets. This is at the same time the answer to research question 1, however the small sample size and the perhaps not completely correct chosen sample need to be taken into account.. This result is expected to have a direct negative influence in the actual interest of companies in the value proposition. However, this influence was taken into consideration in this research, and therefore the respondents were asked for their interest in subsidy application possibilities and internationalization consultancy if they would be interested in emerging markets. In so doing, the general interest for the value proposition, within the market of producing companies that are interested in shifting to emerging markets, can be estimated.

4.2 Interest in value proposition (Q2)

To reveal the market demand for the value proposition, respondents' interest in subsidy application and internationalization consultancy is depicted hereafter.

As shown by figure 4, a substantial amount of respondents (25,7%) would be interested in subsidy application, if they would consider to transfer their production to

emerging markets. Furthermore, figure 5 reveals that a smaller amount (15,1%) would be interested in internationalization consultancy, if they would consider transferring their production. This implies a potential interest in the initial value proposition. However, due to an overlap in interest for subsidy application and the internationalization consultancy by the respondents these separate percentages cannot be summed together to define the overall interest in the value proposition. The amount of respondents that was interested for at least one of the services of the value proposition equals 27,3% (of which 12,1% was interested in both services). Hereby, the answer is provided to research sub question 2. For assessing the interest in the value proposition respondents do not necessarily need to be interested in both services. If a respondent is interested in only one of the services offered by the starting company, he already becomes a potential client. Once more, the small sized, and the possibly not completely correct chosen sample has to be taken into consideration when generalizing the results.

Regression analysis did not reveal any significant effects of company factors on the results and no effect of company sector is visible. Thus, the interest in the value proposition does not seem to differ among companies from different sectors, sizes and with different production ranges. These results need to be interpreted carefully as well.

To what degree would you be interested in online subsidy application possibilities?

Totally not		
1	#26	39,4%
2	#5	7,6%
3	#18	27,3%
4	#15	22,7%
5	#2	3,0%
A lot		N=66

Figure 4: Bar chart with frequency distributions of interest in subsidy application possibilities

To what degree would you be interested in advice regarding internationalization strategies?

Totally not		
1	#31	47,0%
2	#10	15,2%
3	#15	22,7%
4	#9	13,6%
5	#1	1,5%
A lot		N=66

Figure 5: Bar chart with frequency distributions of interest in internationalization consultancy

Taking the several quantitative dimensions of the market demand for the value proposition together, it can be declared that among this sample there is no direct interest in the value proposition (mean interest in producing in emerging markets and in the value proposition was between “not” and “totally not”). However, if the companies would consider transferring their production, than there would be a market demand for the value proposition of 27,3%. This is illustrated in figure 6 as the answer of research sub question 1 and 2. Research sub question 3 cannot be answered in a quantitative way, and will be answered by means of describing efforts in terms of value creation hereafter.

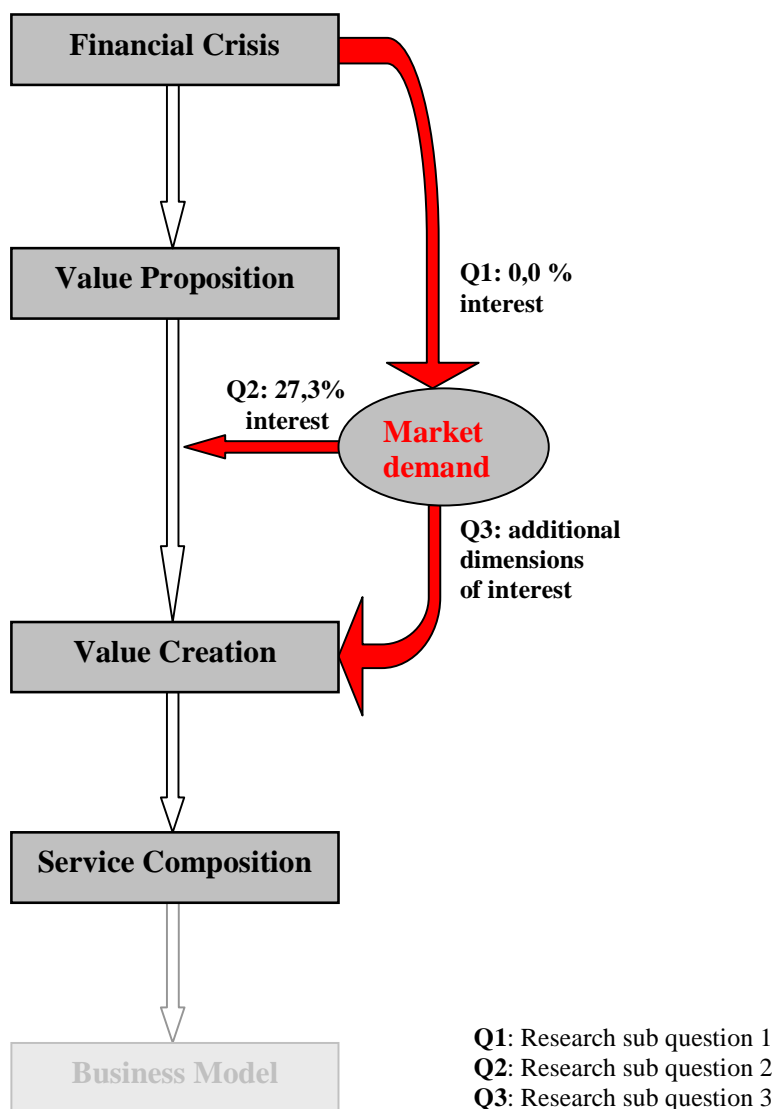


Figure 6: Results model of market demand for value proposition

4.3 Additional market interest (Q3)

As already mentioned before, the scale of additional market demand is explorative, so as to create new ideas for service enhancement of the starting company. Service demand is discussed first, of which the value creation possibilities might be influenced by competition in the field, which is elaborated thereafter. Lastly, country preferences, which may influence the service strategy, are shortly portrayed.

4.3.1 Service demand

Regarding the shortage in the market brought about by the respondents, concerning assistance to companies that want to internationalize, the dimensions are very diverse and all make up for less than 10%. The dimension named most frequently was international legislation consultancy with 7,6%.

Regarding service wishes of the respondents concerning internationalization four main dimensions emerged, namely subsidy application services, subsidy consultancy, and internationalization consultancy, all three with 12,1%, and internationalization implementation/support services with 10,6 %.

However, the dimensions brought about by the respondents, with regard to the shortage in the market that in their opinion exists concerning assistance to companies who would like to internationalize, and with regard to a service for which they would plea concerning internationalization, both serve the same objective: value creation. Therefore, these two categories of dimensions are taken together to explore the main value creating dimensions, yet later on taken into consideration that dimensions of shortage in the market may weight more, if there is also a market demand for it, due to the fact of lower competition in this field. A profound assessment of all the dimensions of the shortage in the market and the service demand is executed in chapter 5 about forming a service strategy.

The main dimensions for value creation generated from the shortage in the market and the service demand brought about by the respondents encompass internationalization consultancy (13,6%), international legislation consultancy (13,6%), subsidy consultancy (13,6%), subsidy application services (12,1%), partner network providence (per industry; 12,1%), internationalization implementation/support services (10,6%), and country

specific information and comparisons (10,6%). In this case the overlap is not removed from the total scores, due to the assumption that service demand not necessarily stems from a shortage in the market. These are the main dimensions generated by the respondents, however internationalization consultancy is a very wide concept and it could include international legislation consultancy, and even subsidy consultancy. Even some smaller dimensions, which will be elaborated hereafter, could be considered as internationalization consultancy. As one can imagine the percentage of demand for internationalization consultancy can increase up to a substantial percentage, and thus results in the major service demand.

Some other small dimensions comprise financial consultancy (e.g. taxes), cost benefit analyses, cultural effectiveness trainings, take-over consultancy, action plans, and “someone who arranges everything”. Furthermore, “whole package” services, overview internationalization modes, take-over agents, and research. The remaining service requests by single respondents are also portrayed, because every single idea can influence value creation by extra services besides the main value proposition. These service requests were: export agents, self-service arrangements, prospect lists for take over, export consultancy, international marketing consultancy, cheap study/exploration travels, small-scale services similar to the ones offered by the EVD, and an informative webpage.

4.3.2 Competition

With regard to companies that respondents know that deal with subsidy application, the company far most mentioned was the EVD (branch office of the Ministry of Foreign Affairs that deals with international enterprising and collaboration) with 22,7%. This is probably the main competitor of the starting company due to its high brand awareness. All the other companies constitute of less than 10% of respondents recognition, yet they possess brand awareness as well. Amongst them were regular accountants, FMO (finance for development), Chamber of Commerce, Senter Novem (agency for sustainability and innovation), antwoordvoorbedrijven.nl (Dutch webpage that retorts all kinds of company issues), and Houkes cs (subsidy advisors). Furthermore, there were 9 other companies mentioned that single respondents thought of while contemplating subsidy application.

Regarding to companies of internationalization consultancy that were identified by the respondents the main competitors seem to be the Chamber of Commerce, and the EVD. They were mentioned by 30,3% and 25,8% respectively. Other companies with some brand awareness (<10%) were internationaalondernemen.nl (another branch office of the Ministry of Foreign Affairs that deals with international enterprising), antwoordvoorbedrijven.nl, NHC (international trade), and Mazars (accounting, tax and advisory services). In addition, seven other companies were mentioned by single respondents.

Concluding, there is a lot of competition in this field, however there are also a lot of dimensions given in this study by which value can be created. The art of service composition can make or fail the business. This topic will be elaborated in the section of service strategy.

4.3.3 Country preferences

As expected, Asia is mostly preferred (40,9%) as an area where respondents would consider moving to if they were interested in transferring their production. The expectations notwithstanding however, West Europe is the second area which is preferred by respondents (33,3%), mainly because this area is close to their home base and sales market. In the third place, respondents are interested in Eastern Europe (22,7%), and after that in South America (10,6). At last, there were also respondents interested in Africa, Russia, Nord America and some other areas in the world, but these were small amounts (<10%).

Regarding countries that were mostly preferred by respondents, Germany scores the highest with 13,6 %. Then Belgium and India with 12,1 % and then China, with 10,6 %. From these results it seems that adjacent countries are the most popular to transfer production to. However, 6,1% of the respondents named Asia as a country of interest; yet it is not clear which country in specific they meant. Possibly, the percentages of the interest in India and China are higher, up to 18,2% for India, if all these respondent would agree with India, and up to 16,7 % for China, if all these respondent would agree with China. This denotes that it is also possible that India and China are the most popular countries to transfer production to.

Having a look at Brazil and Russia, the other two countries of initial interest of the starting company (besides India and China), the interest in them is relatively low (both 4,5%), but more than in other countries from Africa, America, and Asia ($\leq 3\%$). Only Poland scored higher as a separate country (6,1%). Moreover, 7,6% mentioned East Europe in stead of giving country names, hence it could be possible that another Eastern Europe country scores higher than Brazil or Russia. Nevertheless, the BRIC countries altogether were mentioned by 31,8% of the respondents, which seems a respectable percentage.

5 Service strategy

Based on the results a service composition can be formed. However, it needs to be taken into account that no direct interest was found from this target sample to transfer production to emerging markets. Herewith, the value of this service composition has declined drastically. However, the size of the sample and the companies involved leave some doubts over the validity of this test, which will be more extensively elaborated in the discussion. In turn, value creation possibilities do not necessarily need to be brought about by companies that are interested in transferring production to emerging markets, and therefore an appropriate service can be composed by the results of this study. However, without a market for shifting production to emerging markets, there is no use of implementing this service composition. Therefore, the service composition recommended by this study should not be implemented without further investigation regarding the demand in the market of transferring production to emerging markets.

In order to compose the right service strategy the several aspects that were described in the results section are evaluated and analyzed for its value creation possibilities. First, the service demand is analyzed. After that, competition is taken into account, and finally a service composition is recommended, with which the starting company, according to this study, could best serve its target market, if a market demand for transferring production to emerging markets appears in follow up research.

5.1 Analysis service demand

Respondents' input contributes to the composition of a good service package. Every single aspect mentioned by the respondents is evaluated carefully in order to compose the right service composition.

5.1.1 General service components

The initial value proposition consisted out of two general service components: subsidy application and internationalization consultancy. However, interest in extra services was brought about by the respondents and therefore several main dimensions of the service interest are distinguished that can be included in the service composition. Some other dimensions however, will not be included in the service composition.

In the first place the interest in value proposition is evaluated. According to this research 25,7% would be interested in the dimensions subsidy application and 15, 1% in internationalization consultancy if they would consider to transfer their production to emerging markets. These percentages seem very small, but considering the context that companies were not interested in transferring their production to emerging markets, it seems feasible that companies also tend to answer the questions about their interest in the value proposition negatively. Therefore, it is expected that the real percentages might be slightly higher. Hence, it seems viable to still use subsidy application and internationalization consultancy for the service composition. Subsidy application seems to merit a slightly greater role in the service composition though. Yet, by having a look at the additional service demand internationalization consultancy seems to consist of a far greater percentage than subsidy application, taking all aspects together. As stated before, internationalization consultancy is a very wide concept, and in order to compose a good service strategy the facets of internationalization consultancy can better be concretized well, which is done later on in this section. In response to the request of some respondents to offer the “whole package”, as far as that is possible, subsidy application and internationalization consultancy seem to unite very well as main dimensions of the service composition.

Further analyzing the dimensions of the additional service demand, a general tendency can be notified; besides subsidy application respondents are not only interested in consultancy, but also in implementation efforts. This stems from the sub dimensions: internationalization implementation/support services, “someone who arranges everything”, and take-over agents. Thus, another main dimension arises that can be considered in the service composition: implementation services. The company could take

on some aspects of the implementation itself, such as arranging some approvals and some paperwork. Besides, the company can find agents in the target countries that can provide local implementation services; they would execute the major part of all implementation duties.

Another dimension can be distinguished, which was brought about by some respondents. For internationalizing, companies could use a theoretical strategy, preferably supported with some practical research findings. Hence, the dimension that could be added to the value proposition is research. Research is even mentioned as a shortage in the market. Certainly not all customers would wish for research, but surely it could contribute a lot of value to the ones that do wish it. The company could offer master students who would do research for them abroad. This service directly relates with the service request of cheap study travels. Although in this case the research is outsourced to students, which makes it even cheaper. The students could also directly search for prospects for take-overs for a concerning company.

At last, another component that could be added to the value proposition is training. Especially cultural effectiveness trainings can be given, requested by some of the respondents. This service can be outsourced. Furthermore, language trainings can be offered, and outsourced as well. These additional services also contribute to the “whole package”.

In contrary, some input from the respondents could not be used for composing a suitable service. Among respondents' service requirements, partner network providence could also be found. This is a promising business area, especially concerning the fact that besides as service demand, there seems to be a shortage of in the market (mentioned by respondents), however it is not applicable as a component of the starting company's service strategy. The production branch comprises innumerable much production sectors, and even more companies that make part of these branches. This cannot be dealt with as an extra service component. Though, research by students for finding industry specific

prospects can be offered. Self-service arrangements and an informative webpage can also not be provided, from revenue point of view. The website could however provide news articles to inform customers about the fact that quality reduction and long delivery times with regard to emerging markets are out dated information. This, to advertise for emerging countries and thereby indirectly for own services.

Summarizing, the core components of the service composition constitute subsidy application, internationalization consultancy, implementation services, research and training.

5.1.2 Elements internationalization consultancy

Internationalization consultancy requires some special attention, due to the size and the importance of the concept. As stated before, internationalization consultancy needs to be operationalized in terms of several consultancy elements. This research brought about the following fields of interest by respondents, which can be used as elements of internationalization consultancy in the service composition: financial consultancy (e.g. taxes, cost benefit analyses), subsidy consultancy, international legislation consultancy, country specific consultancy, internationalization modes consultancy, international marketing consultancy, and implementation consultancy (action plans for the strategies that resulted from the consultancy provided by the starting company). International legislation consultancy, subsidy consultancy and country specific consultancy have in common that there is not only a service demand for them according to this study; also a shortage in the market for them was argued by the respondents.

Other internationalization consultancy areas that were not brought about by the respondents, but that result from the author's specialty fields, which may be interesting for the service composition, include: cultural consultancy, communication consultancy and time management consultancy.

Partly, the consultancy can be given by the owners of the starting company, however for another part, the consultancy needs to be either outsourced, or an expert consultant needs to be hired.

5.1.3 Country specialization

The initial value proposition stated emerging markets as target countries to shift production to, in specific the BRIC countries. However, after having analyzed the country preferences of the respondents the initial target countries need to be reconsidered.

As can be seen in the results section, the four countries that were the most preferred by the respondents were Belgium, Germany, India, and China. Thus, it seems that Brazil and Russia might better take place for Belgium and Germany. However, this would completely change the initial focus on emerging markets and cost saving production transfers. If Belgium and Germany are applied, together with China and India, they comprise half of the respondents' preferences, which promises a glories market demand. Yet, a complete different marketing focus should be applied, and moreover, a complete different target market should be aimed at. These two types of countries, emerging and developed, seem to differ too much to combine into the service strategy, especially for a starting company.

Nevertheless, to concede to the reasons given by the respondents, for not transferring production to emerging markets (high transportation costs, production outside their sales market, long delivery times, and longer physical/communication lines) the company could consider including Eastern Europe developing countries into the service strategy. As one can imagine, these four reasons seem to weight less if they deal about countries within Europe. Production would be closer to the sales market, which means, lower transportation costs, quicker delivery times, and shorter communication lines. The advantages of including Eastern European countries are that the companies' target market can still be the same, and that two developing areas are referred to, inside and outside Europe, instead of three areas outside Europe. Furthermore, from the results it can be seen that the demand for Eastern Europe (22,7%) sets higher expectations than the demand for South America (10,6%), and Russia (4,5%). For these reasons it is decides to include two Eastern European countries into the service composition.

Deciding upon which two Eastern European countries to include in the service composition, Poland was found to be the most popular amongst the research respondents.

Poland is already cited as the success story of the Eastern European emerging markets and deals with some key industries such as machine building, iron and steel, chemicals, shipbuilding, and textiles (Central Intelligence Agency), which come close to the key industries of China and India, along from which the production sectors in this research resulted, and along by which marketing efforts can be more confined. Furthermore, Poland seems to have the right resources for these production sectors to produce in this country.

Croatia and Rumania both scored secondly in this study. In comparison to other Eastern Europe emerging markets, Croatia is one of the most prosperous and industrialized areas, and Romania still is very poor (Central Intelligence Agency). Croatia's industries include petroleum refining, iron and steel production, and the manufacture of chemicals, metals, and textiles. Exports include manufactured goods, chemicals, machinery, and transportation equipment (Central Intelligence Agency). These industries are also somewhat comparable with those of China and India. Rumania's industries were entirely different and not related with China or India at all. Rumania is still very poor and has a bad transportation system. Therefore, it seems that Croatia, besides Poland, is a good country to transfer production to.

According to this study, China, India, Poland and Croatia seem to result as best countries where the starting company could specialize in. According to some consultancy agencies however, low labor costs, transportation possibilities and production industries are not the only relevant factors where a country choice should be based on. Many factors influence this decision, and for every company the target country could be chosen differently based on different company factors, goals, industry, culture, etc. Therefore, it seems that this topic provides material for a follow up research.

5.1.4 Target market choice

Finally, analyzing some dimensions of service demand put forward by the respondents and combining these with some reasons why companies are not interested in transferring their production to emerging markets, it appeared that some companies are more interested in partnership, export, or take-overs, and thereby are more interested in

consultancy regarding that and agents to help them with that, than in establishing abroad themselves. This leads to speculate whether the initial target market (producing companies) was correctly chosen or should be changed.

Exporting companies form a completely different market, and have a completely different range of sales markets in perspective. Specialization in initially four countries that were chosen would not cover the demands of this target market and therefore it is chosen not to expand the initial value proposition with services related to export.

Companies that are interested in partnership and take-overs however, as far as they deal with producing abroad, can be served though. In fact, any other internationalization mode (e.g. joint ventures, strategic alliances) that deals with producing abroad applies to the starting company's service strategy. Information regarding internationalization modes and their advantages and disadvantages should therefore be included in the service composition, as a part of internationalization consultancy.

5.2 Competitor analysis

Shortly the company's future competition is elaborated, as the amount and sort of competition has an impact on the profitability of the service. If, for example, there are already five competitors offering the same service composition, than it would be wise to deviate from it somehow. The competition brought about in this study is categorized by it's extend of competition: small, medium or large competition.

Starting with the companies that are categorized as small competitors, amongst them are: Houkes cs, Chamber of Commerce, internationaalondernemen.nl, NCH, Mazars, vindsubsidies.nl, allesoversubsidie.nl, MKB Service, subsidieraad.nl, and the Ministry of Development. It can be notified that most companies only provide customers with one or two services. They mainly constitute of the providence of information, the providence of subsidies themselves, and/or of advice in some knowledge area. However, NCH is providing information through offering research data. Information and specialized advice would only form a small part of the core service proposition of the starting company and therefore these companies are categorized as small competitors.

Continuing with companies that are categorized as medium competitors, amongst them are: EVD, FMO, antwoordvoorbedrijven.nl, Senter Novem, ECG, and PNO. It could be noticed that most of the companies, besides information or consultancy, offer some extra services that are competitive with the ones offered by the service proposition, but that are not the same. They are in the same level of interest to customers and are therefore expected to attract customers to their company, which increases the competition level. Examples of these extra services are financial support and network places. To this group belongs the EVD, which is mostly mentioned by the respondents (22,7%). Luckily, the EVD is not the biggest competitor to the starting company, since it serves as an information point of the government that provides support, and does not deal with subsidy application. Though, the EVD does possess a large knowledge area, however, that is not always preferred by customers. For example one respondent in this research requested services like those of the EVD but than of smaller scale.

The group of large competitors is fortunately small and constitutes of Van Ginneken Public Affairs (VGPA) and Subsidie Advies Bureau. They both deal with subsidy application, which is the focal activity of the starting company's business. They do not provide internationalization consultancy however, and therefore it is expected that the service composition will be very interesting to customers. Moreover, from the research can be perceived that only a very low percentage of the respondents brought about these competitors. Thus, they are also not even very well known in the market.

In conclusion, it can be notified that the current proposed service composition is not offered by any competitor (yet); hence the service composition is expected to be of interest for companies that want to shift their production to emerging markets.

5.3 Recommended service composition

By summing up the outcome of the analysis of service demand, and by taking into account that the amount of competition is reasonable to deal with, the following service composition is recommended (see table 1):

Aspects service strategy	Details
<i>General service components</i>	subsidy application internationalization consultancy implementation services research training
<i>Elements internationalization consultancy</i>	financial consultancy subsidy consultancy international legislation consultancy country specific consultancy internationalization modes consultancy international marketing consultancy implementation consultancy cultural consultancy communication consultancy time management consultancy
<i>Country specialization</i>	China, India, Poland, Croatia

Table 1: Recommended service composition

Once again needs to be emphasized that this service composition is only recommended to a target market in which a demand for transferring production to emerging markets appears. This market demand and the target market for it, seek further investigation, as elaborated in the next section.

6 Discussion

In this section, first, answers are provided on the research questions. Then, they are assessed by evaluating the research process. Subsequently, theoretical and practical implications are provided, and the section is concluded with future recommendations.

6.1 Conclusions

Answering the research questions, the expectations notwithstanding, this study did not reveal interest in transferring production to emerging markets (Q1), and therefore did not generate leads for prospect customers. However, assessing the results obtained from the respondents if they would be interested in transferring their production, a demand has been perceived for the initial value proposition of subsidy application and internationalization consultancy, which constituted more than $\frac{1}{4}$ of the respondents (Q2). This demand did not alter among companies of different sectors, sizes, or production areas, which means that the companies target market cannot be further specified. Furthermore, an additional market demand regarding internationalization services to emerging markets was also present, through which value was created for the starting company, by adding extra service components to the service composition that were valued by customers (Q3).

Nevertheless, considering these results, certain remarks need to be taken into account, which are elaborated in the next paragraph.

6.2 Reflection

In the first place, small sample sizes may have affected the research outcome. The total group constituted of 66 respondents, which is small sized. With a larger sample size more accurate results could be obtained, especially when considering the sub categories regarding company sector, size, and production area. Particularly, the groups per production sector constituted of very small sample sizes; naturally, it was not possible to make generalized statements about these groups. Due to the small sample sizes per sub

category, the results, and especially regarding regression analysis, need to be interpreted very carefully.

Another main limitation deals with the composition of the sample chosen for this research. The companies were chosen by means of a list of the Chamber of Commerce through which production companies of different production sectors could be found. However, this list did not provide some company characteristics, such as mass production or not. This resulted in a sample of production companies that were not all qualified to transfer their production to emerging markets. Almost $\frac{1}{3}$ of the respondents had good reasons to not produce from any other location, namely most of them offer their clients specialized product solutions (including reparations), which means that is produced on order. Furthermore, some companies do not produce labor intensive, and others only produce small scale. Hence, this makes the sample of qualified companies for transferring production to emerging markets considerably smaller. The overall composition of the sample (size and qualified companies) was not selected well, which is the main point of learning from this study. Another sample would probably result in a different outcome.

Regarding qualitative analysis, it needs to be taken into account that the analysis was subjectively executed. This has also consequences for the service strategy that has been recommended. Another author may have come up with another service strategy, although the partner consultant trainee agreed with the content. Especially needs to be mentioned that the country choice for specialization of the starting company is based on the outcome of this research. This topic was found too specialized to make evident decisions about, and extra research could be devoted to this theme.

Furthermore, regarding the two questions to what degree the respondents would be interested in subsidy application possibilities and internationalization consultancy, it is meant, if they would consider transferring their production to emerging markets, but this is not written in the questions. Prior to commencing the study, a pilot research was carried out to investigate whether the respondents experienced difficulties with the questions asked. They did not express any difficulties, and from the results, especially from the respondents who answered positively on these questions while not being interested in transferring production, it seems that these respondents understood the questions. However, some participants answered all the four first questions with “not

interested”, which should in the first place mean that they are not interested in transferring production to emerging economies and not in the value proposition. But it could also mean that respondents did not care so much about answering the questions or that the respondents did not fully understand the questions. Respondents could have thought that if they are not interested in transferring their production, that they should answer the other questions with “not interested” as well. This supposition also seems to possibly result from the answers of some respondents to the open questions with “not applicable”. The most lucrative way to solve this problem would be to address a target market that merely consists of companies that indeed want to produce in emerging markets, however, that is a very time-consuming, costly, and inefficient way of finding answers.

Another limitation of this research deals with the answers of the respondents regarding the shortage in the market and the service demand of respondents about internationalization services. The main dimensions that were distinguished dealt with subsidy application and internationalization consultancy. However, in the first questions was already asked to the respondents to what degree they would be interested in subsidy application possibilities and internationalization consultancy. Therefore, unconsciously the respondents could have still had these answers in their short term memory, through which these main dimensions originated.

Furthermore, it should be considered that hardly any large organization was included in this research. This was due to the fact that large organizations were not willing to cooperate with the research and to uncover their company information. Even though it was expected that large organizations in general were not interested in the service proposition, this expectation resulted from the theory only and should also be investigated empirically. Besides, their answer might have resulted in a somewhat different service composition.

Ultimately, some uncontrollable factors could also have influenced the research outcome. For example, the majority of participants in this research was recruited via the internet. However, this methodological decision may come with some negative side effects. It could be that participants recruited over the internet do not care about the results and therefore answer the questionnaire in a rapid and careless fashion. Secondly,

people filled in the questionnaire in various un-standardized settings and at varying times, both which might influence respondents' answering behavior. Additionally, it might have occurred that participants filled in the questionnaire in the presence of other people, which might have distracted the participant. Other factors, such as one's emotional state could also have contributed to undesirable influences on the outcome of the research. It can be mentioned, however, that in this research it is assumed that participants answered the questions honestly without attempting to provide desirable answers.

6.3 Implications

This research has implications for understanding the current market demand in transferring production and for the demand for services regarding subsidy application and internationalization. For all the implications of this study the small sized and not completely correct chosen sample needs to be kept in mind.

Having a look at the theory, a surprising outcome was that this study did not reveal any relation with the justification of this research, which was quoted at the beginning of this study: "In recessionary times relocate stages of the value chain to emerging markets" (Williamson & Zeng, 2009). This study did not reveal interest in transferring production to emerging markets. The main reasons for this end, from companies suitable to transfer, were that producing in emerging markets was not seen as reducing costs, but causing costs, and was seen as risky with little control. This could either imply that a focus on emerging markets in times of recession does not necessarily instigate advantages to Western companies, that the sample used in this research was not generalizable, or that companies, hitherto, are unaware about the advantages that emerging markets can bring in times of recession.

Another unexpected result appeared related to this statement: respondents appeared equally interested in producing in neighbor developing countries as in the BRIC countries. Respondents' motives for producing in neighbor countries were mainly closeness to the sales market, however also satisfaction with the current situation. Thus, against expectations, Dutch companies do not seem to be financially affected by the current economical crisis (yet). This might at the same time be another reason why the introductory statement was not supported by this research.

The literature provides reasoning why companies may not be interested in transferring production to emerging markets in times of recession. Commonly in recession companies scale back on production (Navarro, 2009), however this might not be the proper response and can be the consequence of fear. In general companies may think that they should cut capital expenditures (investment) in times of recession, and in anticipation of recession that is the best way to respond to protect cash flow (Navarro, 2006), however, during recession, capital expenditures should better be increased and risks should be taken, not only to develop innovative products and new capacity in time for the recovery, but also to enter new markets for offshoring and thus lowering production costs (Navarro, 2006). These contemporary notions may not yet be known amongst production companies.

By having incorporated customer value into the service proposition, in this case the additional aspects of service demand brought about by the respondents in this research, a most appropriate service composition was recommended. This explicit small scale service composition is not offered by competitors and combined with a clear and easy website it is expected to have future potential, especially seen the markets demand for it (27,3%) that stemmed from companies' interest if they would be interested in producing in emerging markets. However, on account of this research there is no reason to assume that the starting company would receive enough customers, while at the same time the service proposition is found interesting. Therefore, before implementing, or integrating this service composition into a business model, further research first needs to elucidate a market demand for shifting production to emerging markets.

6.4 Recommendations

From the perspective of this research a market demand has been found for the value proposition and extra value was created by which a proper service composition was formed. Though this answer may shine an admittedly tentative light on the market demand for the value proposition, additional research should first detect a demand in the market for transferring production to emerging markets. The main recommendation that stems from this study is therefore that follow-up research is necessary in order to ensure a market demand for producing in emerging markets, so that potential customers are

guaranteed and disappointing company performances are prevented. Herewith, the service composition can also be validated. In order to execute follow-up research the following dimensions need to be addressed.

In the first instance, considering the limitations described in paragraph 6.2, increased sample sizes could be utilized in efforts to repeat this research, taking into account that every sub category of company factors at least has the minimal number of respondents in order to effectively apply regression analysis. This, to validate this study better, to find more relations, and to increase the generalizability of the results. This is an important recommendation.

Furthermore, a different sample should be addressed. The chosen sample should only constitute of companies that are truly qualified to transfer their production to emerging markets. Besides, the target market needs to be operationalized more detailed, in order to address a better specified target market and to form a better research sample. It needs to be emphasized that a different sample is important to make better and more generalizable statements.

Other limitations could also be addressed, such as the subjectively outlining of a best service composition, which could also be discussed with a group of people. In particular, further research could be done about the country choice of specialization for the starting company. This topic has appeared to be too big to include in this study and is therefore recommended for follow up research. Furthermore, the composition of the questionnaire could be adjusted; more clearly stating “if they would be interested in emerging markets” or merely assess respondents that currently are interested in transferring production to emerging markets, however, that might be too difficult. Besides, the order of the questions can also be adjusted, so that some questions do not unconsciously generate certain value creation ideas. In addition, the sample should better reflect reality. Companies from all kinds of production sectors should participate, not only preselected production sectors, and companies of all sizes should be included if possible. And lastly, other suggestions for future research would regard minimizing the influence of uncontrollable factors, although such factors are very difficult to standardize. For example, people’s emotional state, people’s care for the results, or people’s dishonesty or desirable answering is certainly difficult to measure and eliminate.

Additionally, other dimensions could be paid attention to in follow-up research, which were not in the first instance limitations to this research. Although employees were found to be representative, it could be recommended to only use managers, in order to minimize potential bias. Furthermore, the participants could also be asked for their preference in internationalization modes. By knowing this information, the service composition could be specified a bit further. Finally, future research about the market demand could extend the findings by examining differences in age, gender, education, work domain, and company location.

Besides future research recommendations, also a practical recommendation can be specified in order to investigate whether a demand in the market exists regarding companies that are interested in producing in emerging markets and regarding the by this research selected service composition. Nowadays, it is possible to request a forged website at some web design or online marketing agencies. They make a quick website according to your service proposition with the goal to investigate the market demand for it. When customers apply at your website for, in this case, subsidy or internationalization consultancy, you friendly tell them that unfortunately their request cannot be handled at the moment. This is a more practical and lucrative way to investigate whether it is useful to apply the service composition into the market, and which dimensions are addressed by customers.

After having a good target market scope, the insurance that there indeed is a demand in the market for transferring production to emerging markets, and a validated service composition, then the service composition can be implemented into a business model, by which the target market could be served.

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Appendix 1: Invitation participants (Dutch)

Betreft: Deelname aan onderzoek, dringend participanten nodig!

Geachte heer/mevrouw,

In het kader van mijn **masterthese** voor International Management, en in samenwerking met de Universiteit van Twente, onderzoek ik of er door de financiële crisis een trend plaatsvindt in *verschuiving van productie naar ontwikkelingslanden*. Om meer inzicht te verschaffen in dit fenomeen en de veranderende behoeften daaromtrent is een korte vragenlijst samengesteld.

U kunt deze vragenlijst alleen invullen als uw bedrijf ook daadwerkelijk produceert. De vragenlijst moet bij voorkeur ingevuld worden door iemand die zicht heeft op de bedrijfsstrategie, dit kan zowel een werkgever als een werknemer zijn of bijvoorbeeld een personeelfunctionaris of een accountant.

Ik zou u willen vragen of u voor mij deze vragenlijst in zou willen vullen (klik op link onderaan de pagina). De vragenlijst bestaat uit **10 vragen**. De vragen zijn eenvoudig en het invullen zal circa **5 minuten** duren. Deelname aan dit onderzoek is **anoniem**. Uw gegevens worden alleen voor onderzoeksdoeleinden gebruikt en strikt vertrouwelijk verwerkt. De vragenlijst kan ingevuld worden tot en met uiterlijk vrijdag **5 juni 2009**.

Het is erg belangrijk dat ik genoeg respondenten heb, dus ik zou u vriendelijk willen vragen om hiervoor tijd te maken. Ik stel het zeer op prijs als u deze vragenlijst invult, maar voelt u zich nergens toe verplicht.

Als u op onderstaande link klikt, komt u direct op de pagina die toegang geeft tot de vragenlijst. Hier kunt u uw e-mailadres of een zelfbedachte naam of code invullen. Die naam of code kan niemand zien. Het wijst voor zich.

<http://www.thesistools.com/?>

Alvast heel erg bedankt voor uw medewerking!

Met vriendelijke groet,

Evelyn Stoelinga

Appendix 2a: Introduction to the questionnaire (Dutch)

**Financiële crisis. *Verschuiving van productie naar ontwikkelingslanden?*
Veranderende behoeften in de markt.**

De vragenlijst bestaat uit **10 vragen**. Het invullen van de vragenlijst is **eenvoudig** en zal circa **5 minuten** van uw tijd in beslag nemen. Deelname aan dit onderzoek is **anoniem**.

Appendix 2b: Scale for market demand regarding transferring production to emerging markets, and regarding value proposition (Dutch)

De eerstvolgende 5 vragen gaan over de gevolgen van de financiële crisis voor de marktvrage.

1 In wat voor mate bent u door de financiële crisis meer geïnteresseerd in het verplaatsen van uw productie naar ontwikkelingslanden?

helemaal niet niet echt neutraal wel heel erg

2 In wat voor mate hangt uw overweging om de productie naar ontwikkelingslanden te verplaatsen af van verkrijgbare subsidies?

helemaal niet niet echt neutraal wel heel erg

3 Wat is de reden waarom u wel /niet geïnteresseerd bent in het verplaatsen van uw productie naar ontwikkelingslanden?

.....

4 In wat voor mate zou u geïnteresseerd zijn in online subsidie aanvraagmogelijkheden?

helemaal niet niet echt neutraal wel heel erg

5 In wat voor mate zou u geïnteresseerd zijn in advies omtrent internationaal ondernemen?

helemaal niet niet echt neutraal wel heel erg

Appendix 2c: Scale for additional market demand (Dutch)

De volgende 5 vragen gaan over de veranderende behoeften aan service voor bedrijven die internationaal willen gaan ondernemen.

6 Welke landen zouden voor u interessant zijn als u uw productie zou verplaatsen?

.....

7 Welke bedrijven kent u die hiervoor subsidies verstrekken of subsidieaanvraag regelen?

.....

8 Welke bedrijven kent u die advies over internationaal ondernemen verstrekken?

.....

9 Waar is er volgens u een tekort aan in de markt op het gebied van hulp aan bedrijven die internationaal willen gaan ondernemen?

.....

10 Voor wat voor service zou u pleiten als het gaat om internationaal ondernemen?

.....

Appendix 2d: Company data (Dutch)

Tenslotte vragen wij u om nog een aantal bedrijfsgegevens in te vullen:

Bedrijfsnaam:

Productiesector

- Auto-onderdelen en accessoires
- Basischemicaliën
- Chemische producten
- Elektromotoren en generatoren
- Elektrische huishoudelijke apparaten
- Hijs-, hef-, en transportwerktuigen
- IJzer, staal en ferrolegeringen
- Medische chirurgische apparaten
- Machines voor ijzer- en staalproducten
- Optische instrumenten
- Overige huishoudelijke apparaten
- Overige machines en apparaten
- Telecommunicatieapparatuur
- Textielwaren
- Transportmiddelen
- Overig

Aantal werknemers in bedrijf

- 0 - 9
- 10 - 49
- 50 - 249
- 250 - 499
- 500 - 999
- ≥ 1000

Ons bedrijf produceert...

- Regionaal
- Nationaal
- Internationaal, namelijk de volgende landen/gebieden:
-

Uw positie binnen het bedrijf

- Werknemer
- Manager
- Top manager
- Eigenaar

Hebt u nog **opmerkingen of suggesties** met betrekking tot dit onderzoek dan kunt deze hieronder noteren:

.....
.....
.....

Alvast hartelijk bedankt voor uw medewerking!