

Master's  
Thesis

*“How can marketing research help innovative  
SMEs in exploitation of international  
opportunities in their early  
internationalization?”*  
**A Swedish Case Study**

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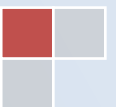
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## Dedications

*Dedicated to my late father Mr. Sibtul Hassan Khan who instilled the value of education in me, and for his belief I can make it. He was a wonderful father, I always miss him. God rest his soul in peace.*

*Shahid Kalim Khan*

*I dedicate this work to my parents Mr. and Mrs. Chaudhry Asghar Ali for being a continuous inspiration and support for me. Their company is a blessing for me and may they have long and healthy life.*

*Adeel Asghar*

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## Abstract

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Title	<i>How can marketing research help innovative SMEs in exploitation of international opportunities in their early internationalization? A Swedish Case Study</i>	
Purpose	SMEs are well known for their innovative and risk taking approach. This study aims at providing them with a strategic framework or method to analyze the marketability of their products or services and exploit internationalization opportunities. It also focuses on helping them in reducing their risks linked with cross border business opportunities.	
Methodology/Design	This research is performed through case study method. A new conceptual model has been developed by integrating relevant standard approaches within field of research. This model has been further explained by implementing it on case company (Widforss).	
Conclusions	This study claims to make a significant and creative contribution to the field of SMEs internationalization through two theoretical models named as <i>International SME Model of Innovation Exploitation (ISMIE)</i> and <i>Proactive International Entrepreneurship model (PIE)</i> . Both of these models use marketing research as key success factor. However, sufficient empirical evidences could not be provided due to limitations. Whereas, the practical contribution for the case firm named as Widforss industries is very evident.	

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*Glossary*

**SMEs:** Small and medium enterprises

**DKK:** Danish Kroner

**ISMIE:** International SME Model of Innovation Exploitation through Market Research

**I.E:** International Entrepreneurship

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## **1 Introduction**

Internationalization of SMEs in general has become a very famous topic in the world. This is the area which is developing further at present. Plenty of research has been performed from different perspectives and angles. International Entrepreneurship is an emerging area when it is yet struggling for standard definition (McDougall and Oviatt, 2000a). International entrepreneurship theory and SMEs are very much connected areas (Fletcher, 2004). While making a study related to internationalization of SMEs, we cannot neglect the importance of entrepreneurs, which is widely recognized as the main variables in SMEs' internationalization (Miesenbock, 1988). While innovation lies at the centre of the entrepreneurship (Schumpeter, 1934).

The topic of this dissertation comes from these two areas; internationalization of SMEs and international entrepreneurship. When looking into SMEs internationalization research, there is lack of material about pre-internationalization stage of SMEs. It is also very critical that firms should have theoretical guidelines to follow in early internationalization stage when they have no or very little international experience.

Uppsala Model, Born global SMEs, International Entrepreneurship theory and Network Theories are most popular concepts these days into this area (Ruzzier et al., 2006). Most of these theories are utilized in the research because they stand as widely accepted concepts. The use of such standard approaches is helpful in enhancing the strength and reliability of the research.

Developing theoretical and conceptual model by integrating different existing theories is very usual in SMEs' internationalization research area. This may be due the reason that there is lack of standard theories or approaches in this area so there is an absolute need for such efforts. Motivated by similar drive authors aimed to create customized theoretical framework for analysis with the help of different standard approaches in the field. After devising the model with the help of standard theories it was tested against our Swedish case study of Gunnar Widforss Industries.

## **1.1 Theme of our Study**

It can be said that *Marketing Research* is the theme of this study as it acts as major input and main driving force into the dissertation. Potential markets (Denmark, France and Italy) indicated by our case company were surveyed. Empirical finding from this survey were analyzed by connecting them to different theories to generate important strategic decisions. Importance of market and customer information enjoys great recommendation in literature also. Market research is a proactive and skilled approach which can be utilized in various ways. Conventional barriers are being dissolved and firms opt for proactive and skilled approach through which they acquire competitive advantage by exploiting opportunities and innovation.

While designing their strategies market oriented firms admit the relevance and importance of using information about customer and competitors (*Armario et al., 2008*). Market research capabilities including market sensing and customer linking provide companies with foreign market knowledge (*Armario et al., 2008*). Market commitment decisions are influenced by foreign market knowledge as per Uppsala model (Johanson & Associates, 1994, p. 84).

## **1.2 Company and Product Introduction**

Widforss Industries is privately owned business based in Vasteras Sweden. The company has got some small scale projects currently. But the owner of the company has ambitions to grow. He believes in innovation and he is currently working closely with Idelab at Mälardalen University ([www.mdh.se](http://www.mdh.se)). Widforss Industries has two new patent-pending low-tech products. The company plans to sell a manufacturing license for one product to a big industry leader company, which dominates the entire European market and therefore wants a European patent, at least in the Netherlands, Germany and Denmark, France and Italy (India, China and the United States, on the target list). The second product which, in principle, having identical function, must be manufactured and distributed by Widforss Industries, or by prospective partners but marketed to the end user/consumer of retailers/dealers. These products solve a need that has long been in Sweden, but it is not verified on the need and the behaviour found in other European countries. In Sweden, there are other established solutions /products, but its solution is different and has many advantages. In the rest of Europe, it is uncertain whether consumers would like to solve their problem with the company's product. Scope of the study is

to investigate Danish, French and Italian markets for one of its products mentioned above. This device is an innovative solution designed to facilitate transportation of bicycles through vehicles. This device would be fixed into bicycle permanently. People can lock their bicycle with their vehicles easily by using this device and carry them anywhere they want (Widforss, interview).

### **1.3 Objective and Purpose**

SMEs are well known for their innovative and risk taking approach. Purpose of this study is to provide them with a strategic framework or method to analyze the marketability of their products or services. It will also help them in reducing their business risks linked with cross border business. The thesis will help them formulate their pre-internationalization marketing strategies with the help of a Swedish case study. *Major objective of this study is to make a theoretical contribution to the field of research by developing a theoretical model.*

### **1.4 Strategic Question/Problem Statement**

“How can marketing research help innovative SMEs in exploitation of international opportunities in their early internationalization?” Case of Gunnar Widforss Industries

### **1.5 Research Questions**

- Which Market should Widforss industries enter at this stage out of potential markets?
- What marketing strategy Widforss industries should follow to be successful in new foreign market?
- Which theoretical model should innovative SMEs follow in general to exploit internationalization opportunities in their pre internationalization stage?

### **1.6 Target Group**

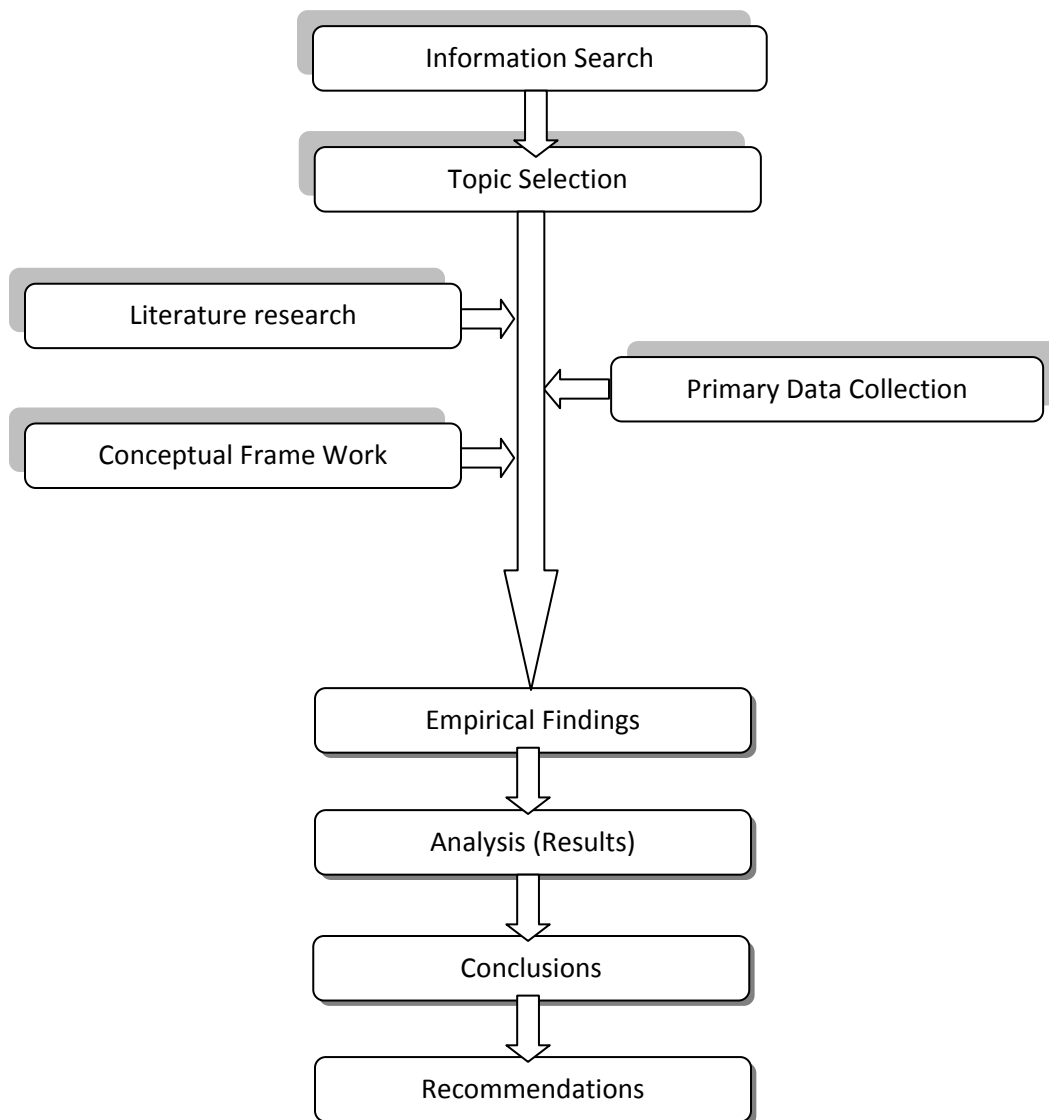
Primary target of our research is management of Widforss industries. Apart from this our major target groups are researchers, students, teachers, entrepreneurs, marketing managers and innovators. But scope of research is not only restricted to these groups only, applicability of this research could possibly increase towards different groups and fields.

## **1.7 Delimitations**

Most of the research works always have some delimitation and they are restricted to some boundaries. Our research has delimitations as well. We will not be able to provide sufficient empirical evidence to prove our suggested theoretical model as our research will be based on literature and one case company only. Due to resource constraints we will only survey one major city in each country and will interview few people within those cities. So, our results from the survey may be a true representation of the consumer trends in respective countries.

## 2 Methodology

The research is performed through case study in which a customized theoretical framework is built by adhering to methodological framework suggested by Eisenhardt (1989) in which case study research is used to create new theories. Standard approaches and methods will be used to perform this study. An overview or order of the research activities has been described through the figure below;



**Fig 2.1:** Layout of work structure

## **2.1 Topic Selection**

Today the world is in direct need of innovative ideas and small and medium sized enterprises are the entities which can recover the world economy from the current crisis. Today's many major business enterprises were started as very small companies and they grew by folds in many cases within few years. This project will help an SME to start the business in European market and successful execution can help the company to launch its product in the market. On the other hand we will also have an opportunity to work on an international project which will help us develop better understanding of international markets. The project will also help us in understanding and executing innovative ideas with the help of standard literature theories. A lot of literature is available about SMEs but we did not find any specific study about pre internationalization marketing strategies. Our study will focus on this key area and will definitely add a new perspective in the literature about SMEs. Hence the topic is covering both aspects of a good research contributions i.e. theoretical contribution to the literature and practical contribution for the company.

## **2.2 Research Approach**

The selected research approach is both inductive (in which theories are created) and deductive (theories are tested) because the theories are integrated into framework from different research paradigms. Hence the theoretical framework consists of other customized frameworks. Therefore, it involves both creation and testing of theories. We decided to work on chosen topic through case study method which we thought could provide us realistic results and can answer our research question effectively. This is because the research area deals with operational links involving real time scenarios. We can meet this demand through case study method very well and can answer to 'How' and 'Why' type questions efficiently with real time situations and experience.

The case study has been defined as an empirical study which investigates a contemporary phenomenon within its real life context especially when the boundaries between phenomenon and context are not clearly evident. *(Yin, 2003)*

After finalizing the methodological stance now we would precede by representing our research design. The case study design for the study has been described below;

The case study design can be of following types (*Yin, 2003*);

- Type 1 Single-Case (Holistic) designs
- Type 2 Single-Case (Embedded) designs
- Type 3 Multiple-Case (Holistic) designs
- Type 4 Multiple-Case (Embedded) designs

In this case study, single case holistic design is used. The case of one SME is being studied, and then the results are generalized for similar innovative SMEs.

Within this case study, exploratory research questions are used. In exploratory research we try to find out something which we already do not know (Fisher, 2006). So this thesis involves exploratory research and information was collected both through primary data and secondary data.

### **2.3 Data Collection**

We used our findings from literature to develop the conceptual framework and empirical data findings through market research for our case study of Widforss Industries.

### **2.4 Purpose of Primary Data Collection**

Empirical findings have been attained through market survey and company interview to investigate following;

- Asses the demand of new product
- Get feedback from the customers on the product and their needs
- To observe how many cars have toe bars which is necessity to use our product
- To observe the trends of product usage in different countries
- Attitude of consumers towards the innovative products with respect to different regions and cultures

- Get feedback and suggestions from consumers about the product design
- To explore the company policy, plans and business activities.

## **2.5 Primary Data Collection Method**

Face to face interviews was the method of survey. Two types of interviews have been utilized. One for consumers and other for management of the company.

### **2.5.1 Semi Structured Interviews for market survey**

Interviews have been conducted primarily with potential customers of the company. These interviews were semi structured with pre coded and open ended questions.

#### ***Population and Sampling:***

In this section we have described our population, sample size and technique as below;

#### ***Population:***

Population includes people of Denmark, France and Italy who use bicycles.

#### ***Sample Size:***

- Total 100 respondents from Denmark comprising 95 semi-structured interviews and 5 in-depth interviews.
- Total 50 respondents each country from Italy and France, including 45 for semi-structured interviews and 5 for in-depth interviews.

#### **Sampling Technique**

Random sampling technique will be used and people will be selected randomly on different locations in Copenhagen (Denmark), Milan (Italy) and Paris (France).

#### **Demographics**

Our overall target market is residence of target countries (Denmark, Italy and France) who use bicycles and have cars or other vehicles at their disposal as well. They currently use or may use

their vehicles to transport bicycles. Our aim was not to look at the market with regards to different segments so we have not divided our findings or analysis with respect to consumer demographics. But a basic description of respondent's demographics is given below;

Age: Anybody who can ride bicycles

Gender: Both Male and Female

Income Level: There is no specific income level, but the consumer or his/her family should afford a car.

Respondent Location: Living at various locations in Copenhagen (Denmark), Milan (Italy) and Paris (France)

### Survey Structure

As described earlier, we used structured interviews with some pre coded questions. A tabular description of our survey structure is given as;

Purpose	Questions	Type	Q. No
<b>To analyze the market demand for making market selection. Need for Product</b>	Do you or any of your family members use bicycle?	Dichotomous (Yes/No)	Q1
	If yes, Number of bicycles at home?	Open ended	Q2
	Do you have car or some other vehicle?	Dichotomous (Yes/No)	Q3
	Does your vehicle have tow-bar?	Dichotomous (Yes/No)	Q5
	Do you (or your family member) use vehicles to transport bicycle	Multiple choice	Q4
	If you carry it on your vehicle, then how you carry it (what kind of device or instrument you use to attach your bicycle with the vehicle)?	Check List	Q6

	What specific problems do you face in carrying/transporting your bicycle through your current arrangements?	Check List	Q7
	If you find a device which is permanently fixed with bicycle, you just have to lift your bicycle and lock it with the tow-bar, would you like this idea?	Dichotomous (Yes/No)	Q8
<b>Product Design and Price</b>	Do you like its design (Prototype Example)?	Dichotomous (Yes/No)	Q9
	What do you suggest about the design of this device?	Open	Q10
	What features would be most important for you out of following	Check List	Q11
	What Price would you like to pay for it? (Maximum, Minimum)	Open	Q12
	How would rank our solution in terms of usefulness and functionality? (Rank between 1 to 5, like 1 for minimum and 5 for maximum)	Ranking scale	Q13
<b>Consumer's attitude towards innovative products</b>	How often you buy innovative products in the market?	Rating Scale	Q14
	If you like to buy innovative products, are you ready to pay a premium price for it?	Dichotomous (Yes/No)	Q15
<b>Other Suggestions</b>	Any other comments/suggestions?	Open	Q16
<b>Optional Questions</b>	<u><b>Personal Information:</b></u> Name: (optional) _____ Age: _____ Gender: _____ No. of children (if any): _____ Profession: (optional) _____	Questions at the end of questionnaire without any specific question numbers. The sensitive	

	Income (optional) Email: (optional) _____	information has been kept optional.
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Table 2.1: Questionnaire Structure

Question numbers may vary a bit as we used questionnaire for Italy and France with slight variations in question order.

### **2.5.2 Non Structured Interview with Company Owner**

We took an open interview with owner of the company Mr. Gunnar Widforss to collect strategic information about the company. The interview covered following areas;

- Future Business plans
- Partnership plans
- distribution strategy

## **2.6 Analysis Method**

Empirical findings achieved through market survey and company interview have been thoroughly analyzed with the help of selected theories. Analysis is based on following theories:

- *Uppsala Model*  
Target Market Selection
- *International Entrepreneurship*  
Target Market Selection and Exploitation of innovation
- *MEC Approach*  
Product Development and Promotion
- *Skimming Vs Penetration*  
Pricing Strategy

- *Network Theory*

Distribution

### **2.6.1 Statistical Analysis**

We have used descriptive and inferential statistics, because both seem to be appropriate in order to achieve our expected results. As per short definition;

- Descriptive statistics is concerned with generalizing from a sample
- Inferential statistics is concerned with making estimates and inferences about a wider population

Within descriptive statistics Frequencies have been checked and used with analysis on need basis. However, our analysis was not based on statistics; it was rather focused on theories and literature. But descriptive and inferential statistics has been used within analysis to show the empirical data trends.

## **2.7 Literature Review**

Data has been collected to analyze the literature and then to select relevant concepts for the theoretical framework. This data was in form of view points and theories instead of empirical findings.

The literature in the areas of SMEs Internationalization, Entrepreneurship, International Entrepreneurship, Innovative SMEs, Theories/Models of SMEs internationalization, New Product Development, New Product Forecast, Exploitation of Innovation and Market Research was searched.

Various standard literature sources like Journals and books were consulted. University library, inter library loans, text books, print journals and online data bases to access the literature were used.

The literature studied was mainly collected through online articles, journals and magazines within the area of the study. Other sources used also include research papers, business

magazines, text books, news papers and journals in the field of market research and consumer behaviour.

## **2.8 Presentation of Findings/Results**

Again Descriptive Statistics is used while presenting data results in results chapter. Different charts like histograms, pie charts and bar graphs are used for graphical presentation of the data findings.

### **3 Critical Literature Review**

Here, we have adopted a diverse approach where we have drawn components from multiple theoretical paradigms for construction of the required conceptual framework. Selected literature is mostly connected to internationalization of small and medium size firms.

In this chapter we have critically reviewed our selected literature and with the help of that review. We have integrated these theories/concepts to create a theoretical framework. Theoretical framework has been explained in detail in next chapter.

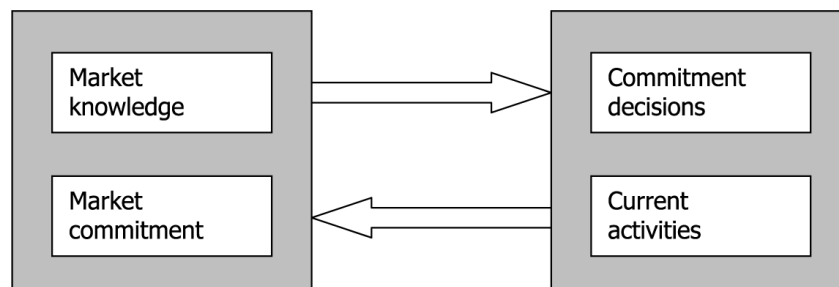
Researchers have studied internationalization extensively for last few decades from various aspects, including: marketing, strategic management, organization theory, international management and small business management. They looked at critical areas such as international decision making and management, development of internationalization activities and factor influencing internationalization for both large companies and SMEs (Hisrich and Antoncic, 2006). Through carefully analyzing the literature and an empirical study, we have identified a phenomenon that will help in all these areas.

#### **3.1 *Uppsala internationalization model (U-model)***

Uppsala model came into being as result of second stream of research on internationalization of SMEs in 1970. These researchers had particular interest in dynamics of internal process of SMEs (Bloodgood *et al.*, 1996, p.61-76). Uppsala model has significant contribution towards research on internationalization of small and medium sized firms and people made efforts to refine this model with time (Morgan and Katsikeas, 1997b).

As per the Nordic international model firms enhance their international involvement in incremental steps within their current markets. They enter into new markets lying at greater at “psychic distance” due to differences in culture, languages, education and business practices etc. The knowledge about international markets is help in making entry mode and country market selection. (Hisrich and Antoncic, 2006)

Different types of learning are involved in internationalization of firms as per this dynamic model (Andersen, 1993, p. 209-31). “Market knowledge and market commitment are assumed to affect decisions regarding commitment of resources to foreign markets and the way current activities are performed. Market knowledge and market commitment are, in turn, affected by current activities and commitment decisions.” (Johanson & Vahlne, 1990, in Johanson & Associates, 1994, p. 84).



**Source:** Johanson and Vahlne (1977)

Figure 3.1. The Uppsala model of internationalization

Another prevalent aspect of the Uppsala model is psychic distance. This incremental model proposes that companies first enter into foreign markets located at less psychic distance. Language, culture and political systems are vital ingredients of psychic distance. (Johanson & Wiedersheim-Paul 1975, p. 308). Psychic distance has been termed as very important in early internationalization process of SMEs as the firms which don't have any international experience or very little amount of it, tend to enter the markets (Armario et al., 2008).

Critique has been made continuously since the discovery of Uppsala model on both theoretical and operational level (Mitgwe, 2006). A serious problem identified by researcher is lack of explanation on why or how the process starts and areas whereby knowledge effects commitment. This model talks about the four consecutive stages that companies pass through in their internationalization process but it has failed to specify the mechanisms that take the firms through those different stages (Andersen, 1993).

Incremental or step by step process of internationalization in which firm enters into foreign markets after having established their business in domestic markets is central argument of this model. Many critics speak against this assumption and of the view that firms could possibly skip some of the stages and attain quick internationalization instead of gradual (Chetty & Campbell, 2003, p. 800-820). Sullivan and Bauerschmidt (1990) made a hypothesis of incremental internationalization but failed to approve it through test which they made by using the empirical study.

This model has emphasized on experiential learning which affects the commitment decisions. It suggests gaining the knowledge by doing different activities in current markets. Theme of this model is learning by doing (Forsgren, 2002).

There are three categories of responses that we get from the industry about Uppsala model: rejection, total acceptance and acceptance with modification. Researchers has either rejected or accepted it with some modifications. Although all basic assumption made by this model has been challenged by empirical studies (Andersen, 1993). But it stands as very popular model in the field of study.

### **Our adoption and adaptation of the model**

We have not adopted this model completely rather part of it. We are interested in the concept proposed by this model that market knowledge has impact on commitment decision related to foreign market entry. The parts, which are relevant for us are shown in the figure below.

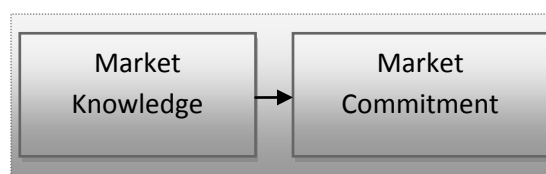


Figure 3.2. Adaptation from Uppsala model of internationalization

(Adapted and modified by authors)

This model emphasized on market knowledge and determined it as key element to start with process of internationalization. That was the foremost reason for choosing this model. We then modified it as per requirement of our study. As mentioned by critics that this model fails to specify the mechanism that can clearly determine that how firms should pass through different steps or stages. We want to introduce a mechanism that enhance the foreign market knowledge for SMEs and also easily practicable. We are of the view conducting consumer market research can definitely contribute towards the market knowledge of the firms that will ultimately affect the commitment decision. Commitment decisions in turn determine whether a firm should enter into a specific international market or not. We have also bypassed the incremental stage methodology highly criticized by researchers about this model. Any firm after conducting an extensive market research can establish its business without having the presence into domestic market.

### **3.2 *International Entrepreneurship Theory***

International entrepreneurship concept emerged from Uppsala Model while opposing the process aspects of the SME's internationalization. It poses that IE poses that firms act more from an entrepreneurial drive than following slow incremental processes. This is relatively new emerging research area which is still in search of right definition (McDougall and Oviatt, 2000a) (Antoncic and Hisrich, 2000). As per recent definition international entrepreneurship can be further specified as, "a combination of innovative, proactive and risk-seeking behavior that crosses national borders and is intended to create value in organization" (McDougall and Oviatt, 2000b).

However, consensus upon definition of international entrepreneurship has not been yet made as various researchers says that this far more comprehensive phenomenon and its understanding within framework of SMEs alone is not possible from which a large amount of international entrepreneurship is based (Mtigwe, 2006). Original definitions suggested by McDougall and Oviatt (1994, 1996, 2000) are very restrictive and there is need for finding a neutral definition independent of firm size (Mtigwe, 2006).

Zahra and George (2005) showed the neutral view point by defining International Entrepreneurship as *“the process of creatively discovering and exploiting opportunities that lie outside a firm’s domestic markets in the pursuit of competitive advantage.”* But this definition itself has received criticism from some other researchers. It has clearly stressed over importance of creativity and competitive advantage as it fails to depict the most important elements of entrepreneurship termed as exploitation of opportunities impendent of firm’s or individual’s resources and impact of risk on international business. (Stevenson and Jarillo, 1990).

As per Bruce Mtigwe (2006) more comprehensive definition would be *“a courageous managerial value creation process through which an individual engages in innovative, proactive, calculated risk-taking behaviour designed to prosecute foreign business opportunities presented by multinational market successes and imperfections for financial and non-financial rewards.”* We would like to stick with this particular definition given by Bruce because it is in favour of proactive innovative behaviour and calculated risk taking attitude. We have followed this concept in our practical theoretical model.

Having interest in internationalization of SMEs, we can hardly ignore the importance of entrepreneurs, which is widely recognized as the main variables in SMEs' internationalization (Miesenbock, 1988). McDougall and Oviatt have associated international entrepreneurship with small and medium sized firms. Also researchers have discovered a strong link between entrepreneurship and small business since the start of the 1980s (Wortman, 1986). But our focus is rather on innovative SMEs instead of small and medium firms in general. Moreover, there is a clear link between innovation and entrepreneurship. Innovation lies at the centre of entrepreneurship (Hitt *et al.*, 2001; Schumpeter, 1934). Discovery of a new opportunity is termed as invention whereas innovation is exploitation of this opportunity (Alvarez and Busenitz, 2001). It means international entrepreneurial success asks for not just the discovery of a valuable innovation but also that the innovation be introduced successfully to world markets (Acs *et al.*, 2001). For successful introduction of any invention, market knowledge is essential especially the view point of end users.

### **3.3 Marketing Mix**

Marketing mix is essential tool for developing marketing strategy or plan for a new market entry. We will use and discuss the basic model including 4 P's or marketing as described below:

**Price:** What price are customer willing to pay and what should be the price strategy of the firm which will give optimum results and fulfil the goals of the firm regarding profitability and revenue.

**Promotion:** How the product will be advertised and what would be the communication strategy of the firm. There are different ways to promote a product like, advertisement through electronic media, personal selling, direct marketing, indirect marketing and many others.

**Product:** What products are appropriate for a specific market and how the product should be customized or adapted to fit into needs of a particular customer group or segment?

**Place:** How the product would place and made available for the customers. It depicts the distribution channels which play a vital role for the success of any business which are providing tangible goods to customers. It encompasses even more importance in case retail chains.

### **3.4 Theories supplementing Marketing Mix**

We have chosen some theories or models closely relevant to SMEs internationalization. We shall now discuss these theories in later part of this chapter.

#### **3.4.1 Skimming versus Penetration**

The development and diffusion of innovation is extremely dynamic phenomenon influenced by different important factors like price, product and market entry time and selection (Milling and Maier, 1993). At first point we should have some clear pricing strategy on we can base our specific pricing decisions. There are different pricing strategies like strategy of skimming and penetration pricing strategy. However choice of a specific pricing strategy depends on firm objectives. For example if the objective is enhancing dollar volume of sales or market position, penetration strategy is appropriate one (Milling and Maier, 1993).



Choice of an optimum pricing strategy is nearly not possible. There are various factors which affect the pricing decisions (Milling and Maier, 1993). But setting a suitable pricing strategy is quite possible. Therefore, we chose these two strategies and given model for our discussion.

### **3.4.2 MEC approach**

This theory suggests that consumer motivation can be understood only through hierarchal linkage among attributes, consequences and values (Mort and Rose, 2004). Consumer demand a specific product because of the expected positive consequence associated with the use of that product as per MEC theory of consumer behaviour (Gutman, 1982). Products may be described in terms of their attributes but the real meaning of the product to consumers lie in the value they offer. MEC theory describes the connection between product attributes, consequences and values. MEC stands for 'means end chain' where the mean is product and end is its desired value state (Søndergaard, 2005).

MEC approach is applicable to product development but it has been used in the development of advertising strategy more often. Information obtained through research about consumers' high priority means and chains for a product or product category gives the companies the necessary knowledge for efficient development of products. Product develop in such manner would offer consumers the desired value. MEC approach to product development will have influence on major areas related to successful market oriented product development (Søndergaard, 2005).

As per Gutman (1982) MEC approach provides researchers and managers with a practical method to attain insights into consumer buying behaviour. This approach describes how the consumers cognitively associate the product to themselves. Our job is to exploit the hierarchical cognitive structure already existing in consumer's subconscious (Mort and Rose, 2004).

Despite of fame that MEC has attained in the literature, criticism has been made about this theory. Critics to MEC approach see a major conflict in terms of impact of value in consumer motivation. They talk about much more direct and immediate role for values in consumer motivation phenomenon (Mort and Rose, 2004), they say " *MEC researchers have consistently*

*concluded that the relationship between a product's attributes and an individual's values is an indirect connection facilitated only through the consequences of consumption''.*

### **MEC Relation with Utilitarian Products**

We want to check this relationship as our product is related to bicycles and falls into utilitarian category. Utilitarian products are defined as the goods which are functional and useful (Macquarie Dictionary, 2001). Ratchford (1987) says that utilitarian products are consumed mainly due to their functional or practical benefits, so motivation is instrumental here. Examples he gave about the functional benefits are such as problem avoidance, problem removal, incomplete satisfaction or normal depletion.

Consumer's terminal or enduring value determines the consequences that they seek from a product (Mort and Rose, 2004). As per Walker and Olson (1991) hierarchical levels of abstraction relationship proposed by MEC approach can be used to understand the consumer motivation for utilitarian products.

Our motivation towards selecting this theory is that we found it relevant for the kind of product we are dealing with. The researchers who examined functional product like bicycles discovered interconnections of the levels of abstraction that MEC talks about (Peterman, 1997). Moreover, this is serving two purposes for us. Firstly, is helping us to devise optimum new product development strategy and secondly, it gives us consumer insights for promotion or advertisement strategies.

#### **3.4.3 The Kano Model of Customer Satisfaction**

Kano model was proposed by a Japanese researcher, Dr. Noriaki Kano in the 1980s. This model pushes the product development activities from satisfying to delightful customers. There are three types or categories of product attributes as mentioned below (Kahn, 2006, p.80-82):

##### *Assumed*

These are basic products attributes which consumers associate with specific products. These features do not enhance consumer's satisfaction rather minimize their dissatisfaction level.

Inclusion of many assumed features will lead minimize dissatisfaction among customers rather than increasing satisfaction. So it means too many assumed features in this category are not good for product. Satisfaction level of customers would not be achieved (Kahn, 2006, p.80-82). These features may not be explicitly demanded by the consumers as they take them as granted. These features are must be requirements and are considered competitive decisive factors (Sauerwein et al., 1996).

### *Expected*

These are the features that consumers expect from a specific product. They have a liner relationship with satisfaction of consumers. If such features would be more than the expectation of consumer, satisfaction level would be achieved. A typical expected feature is service time (Kahn, 2006, p.82). If these requirements are not fulfilled, consumers will not be dissatisfied but less satisfied (Sauerwein et al., 1996).

### *Delighting*

These are unexpected product features that go beyond the consumer expectations. But they must be perceived as added value to the product rather than surplus product features. These are value adding product attributes which makes consumer delighted and feel good (Kahn, 2006, p.82). Exclusion of these features will not affect customer's satisfaction but it if such features are included consumers would be delighted and excited about the product (Sauerwein et al., 1996).

Even after two decades of introduction of Kano model of customer satisfaction, it has not lost its fame and still an interesting model for researchers and parishioners. By providing insights into product and service attributes that are perceived as important to customers it stands as a popular method for managers. It helps managers in product differentiation and ultimately achieving a competitive advantage (Parker, 2006). Gary Burchill who is leading contributor in the development of Concept Engineering admires the Kano model while saying, *"I am absolutely convinced that characterizing the customer requirements into Kano's categories is very valuable. Design is a trade-off activity,"* (Parker, 2006).

It is true that Kano model has been adopted in many areas of research and practice but efforts are being made to introduce a right method for identifying different Kano quality attributes. (Mikulić, 2006)

Looking at all the benefits that Kano offers we chose this model devising new product development strategies as we were concerned with product design as well. Moreover, dependency of this model on consumer market research makes this model best suitable for our study.

#### **3.4.4 Network Theory**

All firms are connected to one or more business networks involving different parties like, customers, suppliers, subcontractors and partners etc (Johanson & Mattsson, 1988). Network has been defined as a set of two or more connected business relationships through which different nodes exchange resources and conceptualized as collective actors (Emerson, 1981). Network theorists are of the view that internationalization process of firms is a natural phenomenon which takes place through foreign individuals or firms (Johansson & Mattson, 1988). Network allows rapid internationalization of firms (Mitgwe, 2006). Most interesting work related to network theory has been done by Johanson and Mattsson (1998) who pose that positioning of the firm in the market is established in relation to other actor in the international market through international extension, penetration or international integration (Johanson & Mattsson, 1988).

Resources are required for any foreign market operation. These operations are either controlled by firm itself or by other actors in the network. Firms needs both of these resources either hold by itself or by network members which can be obtained depending the firm position within the network (Johanson & Mattsson, 1988). Apart from physical resources firms also occupy the knowledge resources which can also be acquired through establishing a network with them at much lower cost and in less time (Chetty and Campbell-Hunt, 2003).

When looking at this approach more critically researchers have some concerns. It has been suggested that firm's network should be seen as a part of overall internationalization process and not a whole (Madsen and Servais, 1997). Theoretical motive or appeal of the network

approach is not verified wholly by its practical appeal which says that network structures are not independent and are enclosed in cultural boundaries (Mitgwe, 2006). Utilizing network is not a free cup of tea and there is cost linked with being part of the network and firm needs to have some level of resources before it can join an effective network (Mitgwe, 2006). Network perspective of internationalization fails to address these above mentioned important areas (Chetty and Campbell-Hunt, 2003). Individuals, especially entrepreneurs have a strategic position and influence in SMEs internationalization but this has been ignored in network approach like other process oriented approaches (Mitgwe, 2006).

However, this theory has been succeeded in determining importance of networks and determining that internationalization is never a solo effort (Mitgwe, 2006). Third party is always involved in internationalization process in various forms like government, foreign marketing and distribution channels, foreign or local partner etc. It is recommended that firms with ambitions to go abroad should take good care of these third parties so that it can benefit out of the existing business networks. Every theory has some shortcomings, so does network approach has, but it has successfully explained the effect of resources, activities and actors in internationalization process of SMEs A firm's network is able to provide the context for international activities but further studies should be made on resources and development strategies which should be opted by a firm while going global (Hisrich and Antoncic, 2006).

Sharing of foreign resources is possible through this approach which we are aiming at in our 'place' strategy for Widforss industries. Moreover, as exposed by critique, network theory alone is not sufficient for analysis of internationalization process of SMEs, so we are not wholly depending on this theory and we shall include as part of our overall analysis.

## 4 Theoretical/ Conceptual Framework

Based on the literature review, a conceptual framework to analyze role of market research in innovation exploitation and internationalization of SMEs has been constructed (Figure 4.1).

The conceptual framework is comprised of several different theories. We have adapted the theories according to our requirements by deleting few irrelevant parts and sinking them together in a better way.

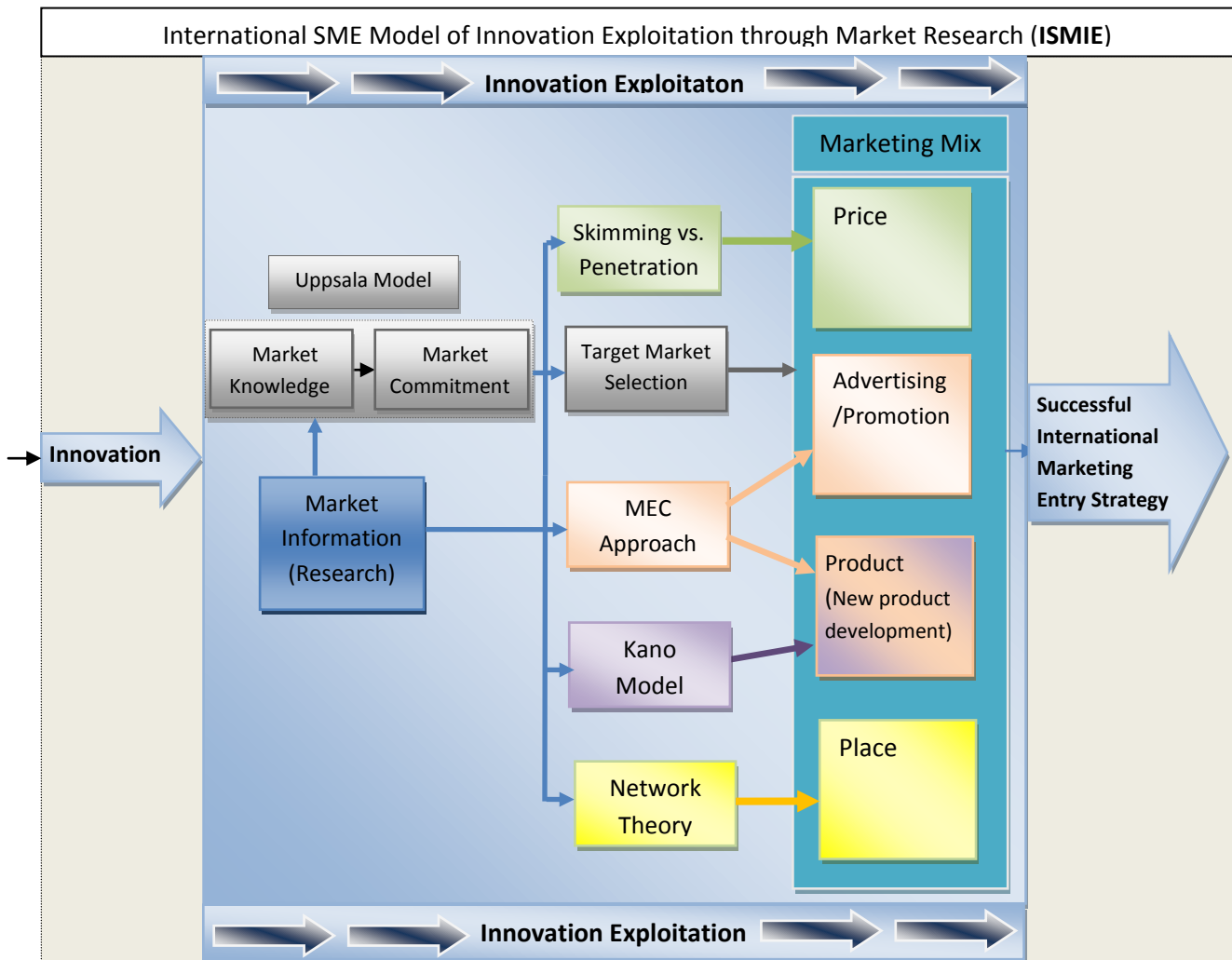


Figure 4.1: International SME Model of Innovation Exploitation through Market Research (ISMIE)

Fig 4.1. International SME Model of Innovation Exploitation through Market Research (ISMIE)

(Developed by authors)

#### **4.1 International Entrepreneurship Theory**

As discussed in the literature review we have taken international entrepreneurship theory as outer sphere of our conceptual framework. Here international entrepreneurial success asks for not just the discovery of a valuable innovation but also that the innovation be introduced successfully to world markets (Acs *et al.*, 2001). For successful introduction of any invention, market knowledge is essential especially, the consumer trends. Our conceptual framework shows that innovation is entering to the box where with the help of different other theories we create value and exploit the innovation. Finally the desired end result is a successful international market entry strategy.

In the Inner frame we have Uppsala Model which has adopted version with market information and market commitment to help selecting the target market.

Along with Uppsala Model we also have Marketing Mix theory with following main components:

1) Product 2) Price 3) Place and 4) Promotion

#### **4.2 Target Market Selection**

Uppsala Model (Johanson & Vahlne, 1990, in Johanson & Associates, 1994, p. 84) has been used to select the target market based on its two components which shows that market knowledge results in market commitment. This way we will be able to analyze the target markets under study and will be able to decide that whether a market should be targeted or not and the company should enter into the market or not.

#### **4.3 Marketing Mix**

These all four components are achieved through different theories. Following is the description of each component of the market mix with its connecting theory.

#### **4.3.1 Product**

Since our focus is towards entrance into a new market with an innovative product and developing a strategy to get success therefore we are focusing on having an input from market research into new product development. For that matter we are using MEC Approach and Kano Model with the help of market information acquired during market surveys.

MEC approach to product development will have influence on major areas related to successful market oriented product development. (Søndergaard, 2005) We have related it with our overall model which is using market information as its hub and centre of every theory.

The Kano model attempts to push product development activities from satisfying customers to delighting customers. (Kahn, 2006, p.82) Same way this theory is also going to be used with the help of market research feedback for product development strategy.

#### **4.3.2 Price**

The companies face this very important question that what pricing strategy they should adopt? We have selected a theory which shows two main types of entry pricing strategies, penetration and skimming (Ghauri and Catoera, 2008, p.441) On the basis of our market feedback and secondary data resources we will be making market entry pricing strategy.

#### **4.3.3 Promotion/Advertising**

MEC approach is usually used in advertising campaigns. (Søndergaard, 2005) We will be using it here with the help of data collected through market research to develop the analysis and required strategy for market entry.

#### **4.3.4 Place**

Network theory is selected to see and analyze on the basis of secondary and primary data that what would be the best way of distribution while entering into the market.

## **5 Empirical Data Findings**

### **5.1 Denmark**

In our research survey in Denmark the sample size was 100 and it is a very small number to generalize it on whole market but keeping in mind the time constraint and financial constraints we can infer a trend out of our research. The overall results of the survey indicate that in Denmark there are many people who use bicycle and there is growing concern on environmental impact of cars and other vehicles that emit carbons. The results also indicate that people who use bicycles majority of them also transport their bicycles with some vehicles. The major tool used to attach bicycles with cars is a traditional V shaped tool which is attached on the tow bar of the car.

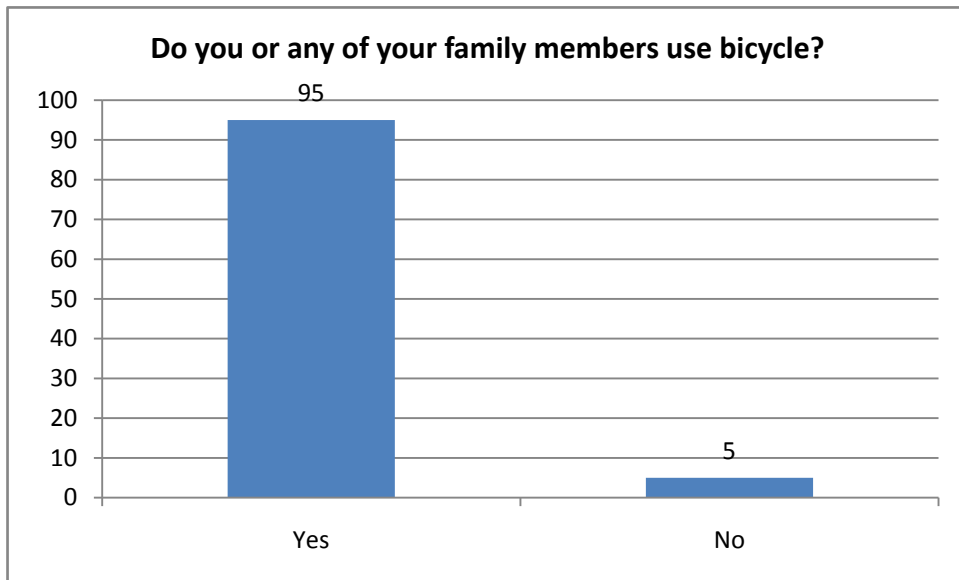
Currently the main problems users are facing related to that tool are; difficulty in storage, difficulty in installation and difficulty in finding the device sometimes. The proposed product can eliminate all these problems and can be a very exact fit to the needs of the discussed market segment.

The respondents of the survey liked the new idea of the product (91% respondents) and on explaining the proposed design of the product 96% of them liked the idea and only 2% disliked it. On average people were willing to pay 200-500 DKK for this component of their bicycles. The result shows that the product is marketable and can create its share very quickly in the market.

Some users suggested in open ended questions that the product should be added into all new bicycles as an added feature for any bicycle company and another respondent said that this product can help bicycles to be handier and there will be less excuses for using a bicycle which will have a good impact on environment.

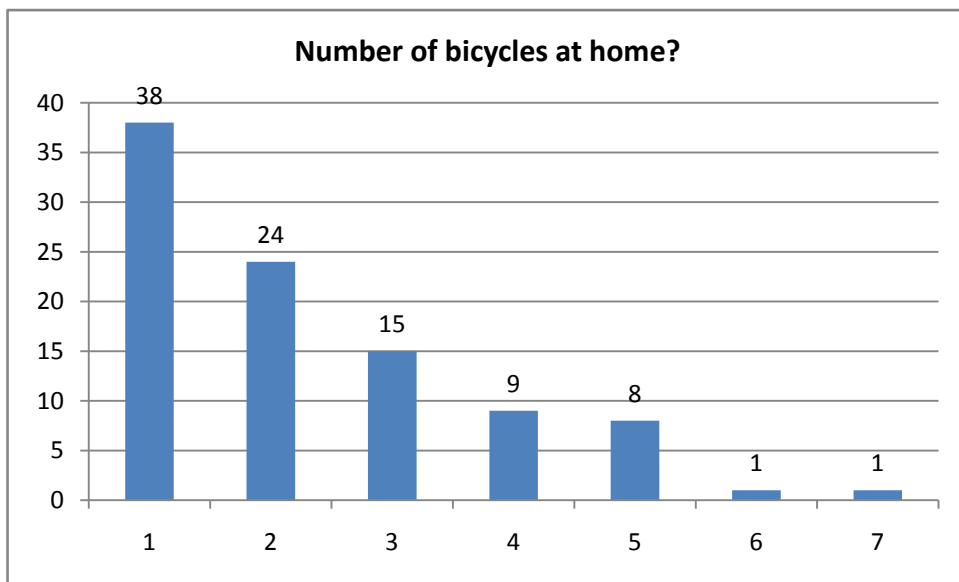
#### **1. Do you or any of your family members use bicycle?**

The survey was conducted from the people who use bicycle and the screening question was asked in the beginning of questionnaire. However only 5% of the respondents were not using bicycle currently but they used it at sometime in their life.



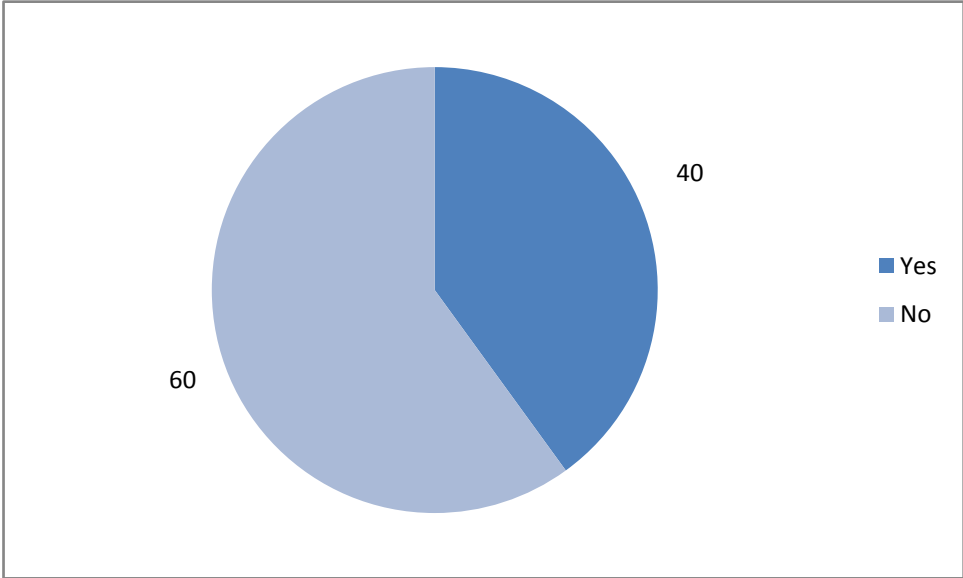
**2. If yes, number of bicycles at home?**

A lot of respondents had 1 bicycle at home and 24 out of them had 2 bicycles. Some exceptional users had 6 and 7 bicycles as well.



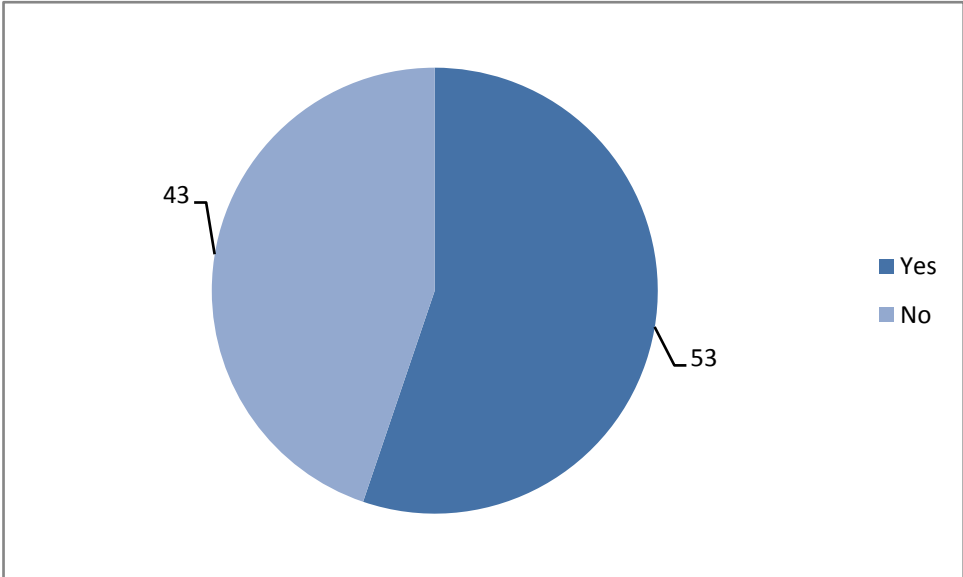
**3. Do you have car or some other vehicle?**

Majority of the respondents did not have their own car (60%) and 40% of the respondents were having their own car or vehicle.



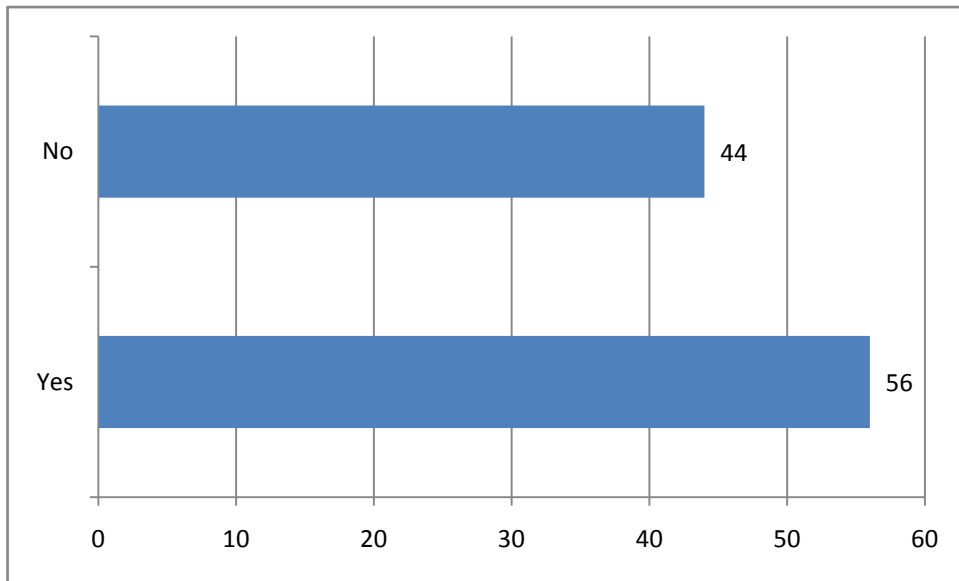
**4. Do you (or your family member) use vehicles to transport bicycle?**

53% of the people were using some kind of vehicle to transport their bicycles that shows the market of the product is significant among bike users.



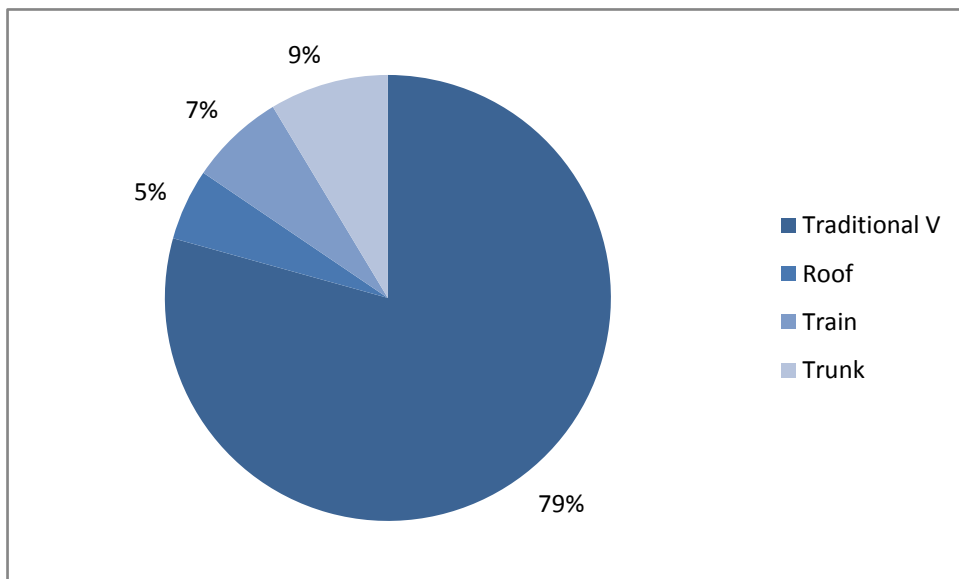
**5. Does your vehicle have tow-bar? (A hook to attach other things, tools with the vehicle)**

56% of the vehicles owned by respondents or their families had tow bars on them.



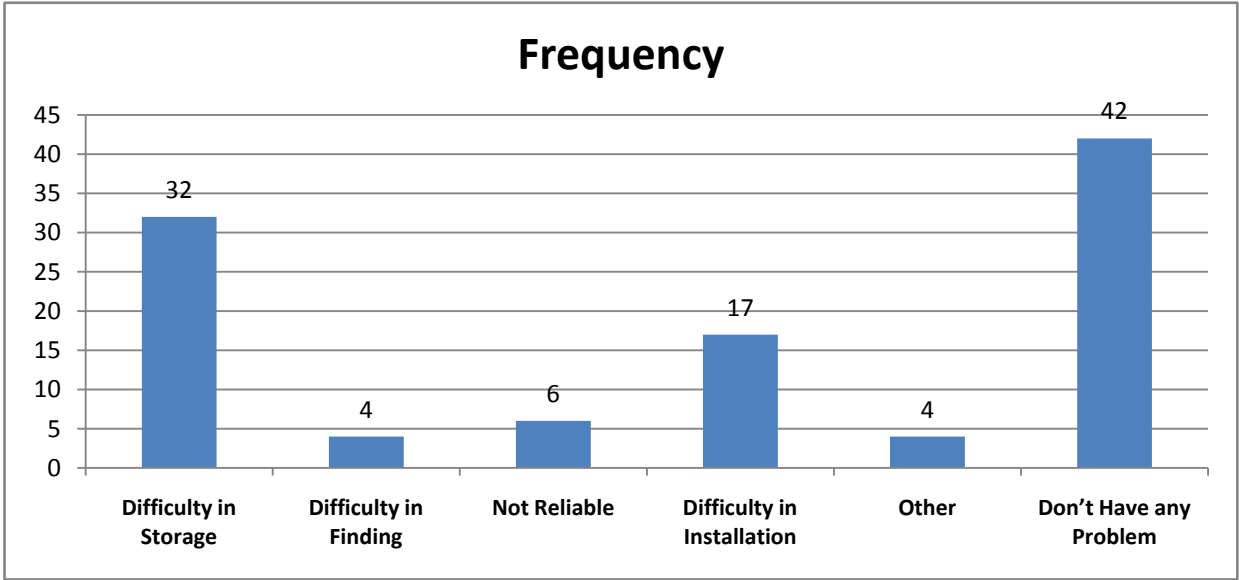
**6. If you carry it on your vehicle, then how you carry it (what kind of device or instrument you use to attach your bicycle with the vehicle)?**

When it comes to transporting the bicycle with car or any other vehicle, users are mainly using traditional V shaped instrument to attach the bicycle on the tow bar of the car. 79% of the respondents, who are transporting their bicycle with vehicles, use the V. Remaining users; transport it with Trunk, Train or roof of the car.



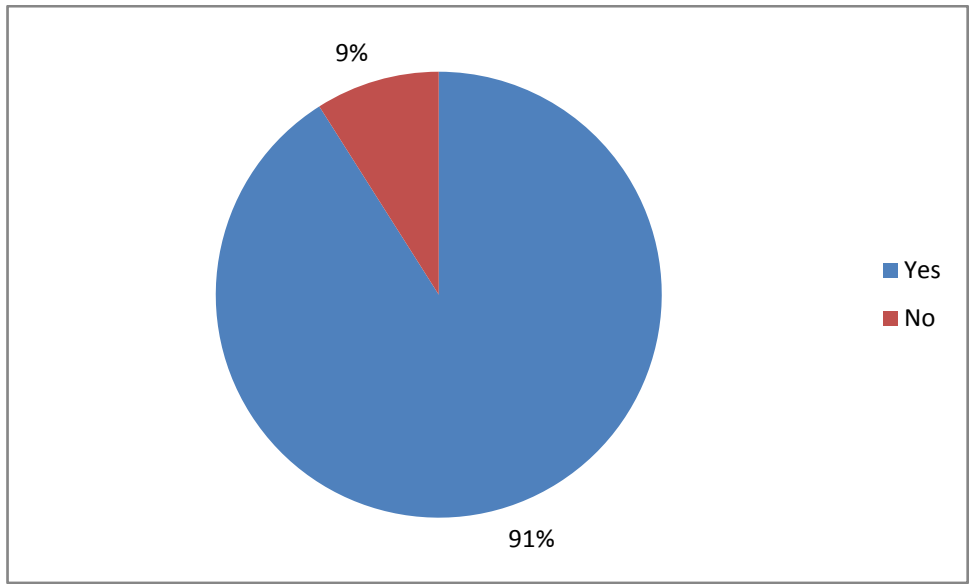
**7. What specific problems do you face in carrying/transporting your bicycle through your current arrangements?**

This question was asked to see what difficulties are being faced by the users while using their current solutions of bike transportation. Two biggest problems identified were difficulty in installation and difficulty in storage of the traditional V shaped tool. While a large chunk, 42 respondents, also think that they don't have any problem with their current arrangement.



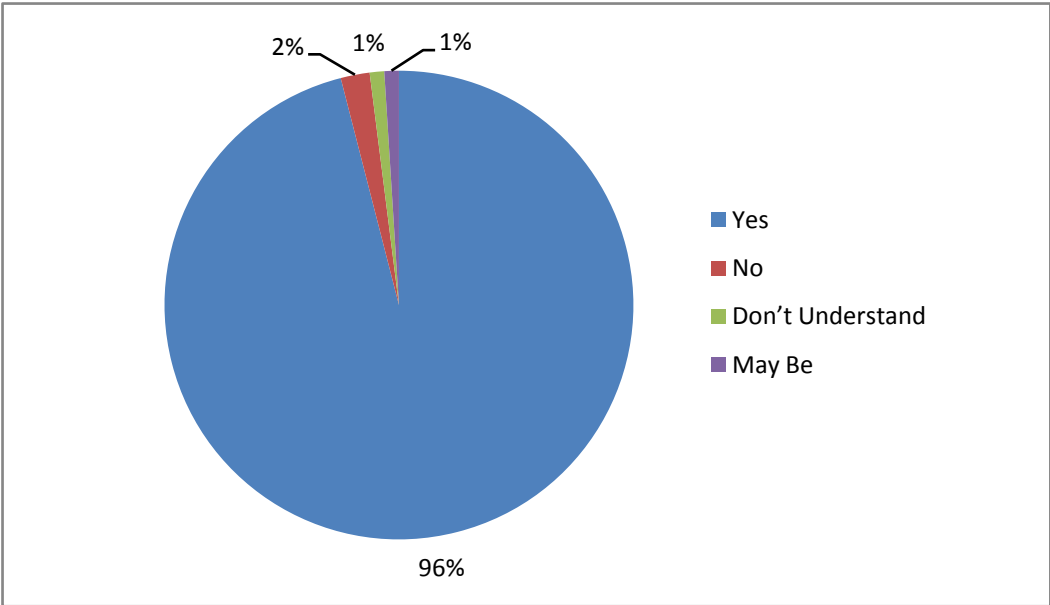
**8. If you find a device which is permanently fixed with bicycle, you just have to lift your bicycle and lock it with the tow-bar, would you like this idea?**

Respondents of our survey liked the idea with majority numbers. 91% of them liked it as compared to 9% of them who didn't like the idea.



**9. Do you like its design (Prototype Example)?**

After explaining the prototype, more respondents replied with a favourable response. It is also apparent in the graph that 96% of the respondents said yes in response to their likeness for the prototype. Only 2 % of the respondents said that they don't like the design the main reason was their lack of understanding of prototype because we had a limitation of showing actual prototype and we only had a picture of it.



#### **10. What do you suggest about this design? (Any changes or improvements)**

We kept few open ended questions to get more insight of consumer feedback. Most of the consumers did not answer this question but we got few concerns like 12 respondents said that it should be strong enough to hold the bicycle as it looks fragile. Few suggested that it should have some kind of string to hold the front tire of bicycle. A major suggestion was also to make a device which can carry more than one bicycle at a time.

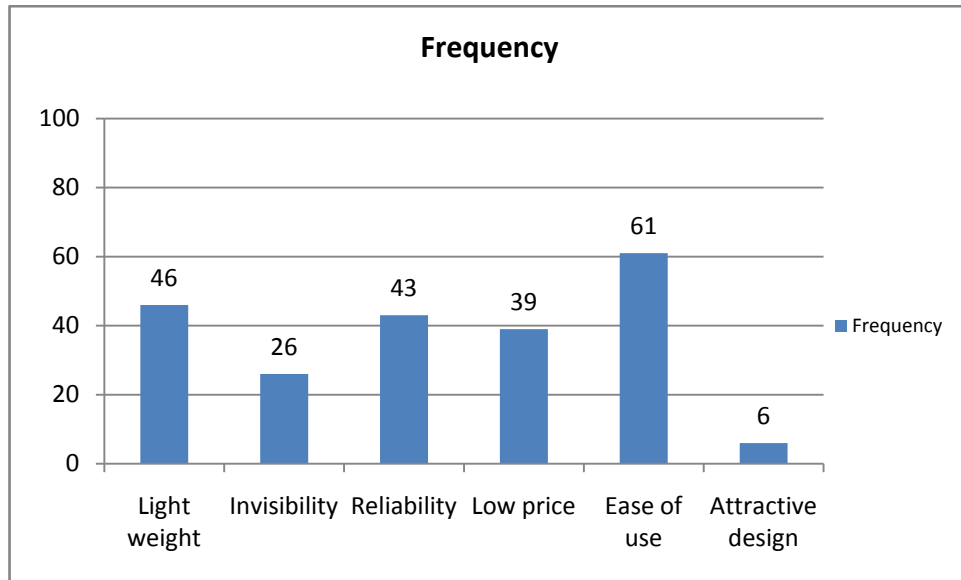
#### **11. Do you think there might be some issue or problem with using it? If yes then please explain**

Few respondents suggested that it should be able to carry more than one bicycles. One suggested that it should not be fixed with bicycle rather it should be an easily detach and attachable component so that it can be used with different bicycles. It was also suggested that while fixing the component under bicycle it should be taken into consideration that many bicycle models have their break wires passing from the same place.

Another concern was also over the reliability of the device and few respondents were concerned about the reliability of the device that it should not break or cause scratches on the car. Two respondents said that the device can hit the speed bump while riding the bicycle.

#### **12. What features would be most important for you out of following?**

This question was asked to see consumer preference related different features of our product. In the response 61 out of 100 checked Ease of use and on the second priority of respondents was light weight of the product, 46 people out of 100 checked that the light weight feature of the device would be important for them followed by reliability and low price at 43 and 39 respectively. Attractive design was of least importance with a score of 6 whereas users also gave little importance to invisibility of the product giving it only 26 ticks out of 100.



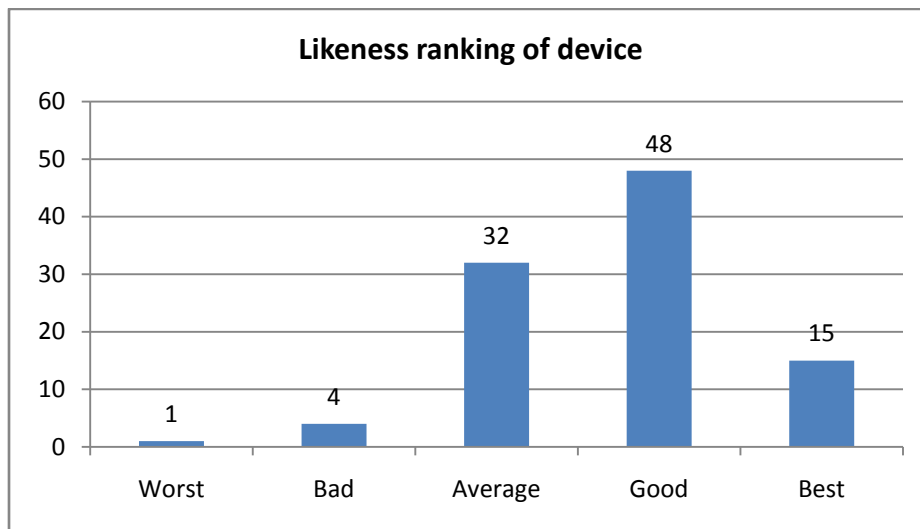
### 13. What Price would you like to pay for it?

As it's shown in the table on average majority of people was willing to pay a price of the product between 200 to 500 DKK.

DKK	Percentage
50	2.53%
100	6.33%
150	2.53%
200	16.46%
250	2.53%
300	20.25%
350	1.27%
400	15.19%
500	18.99%
600	7.59%
700	1.27%
1000	3.80%
2000	1.27%

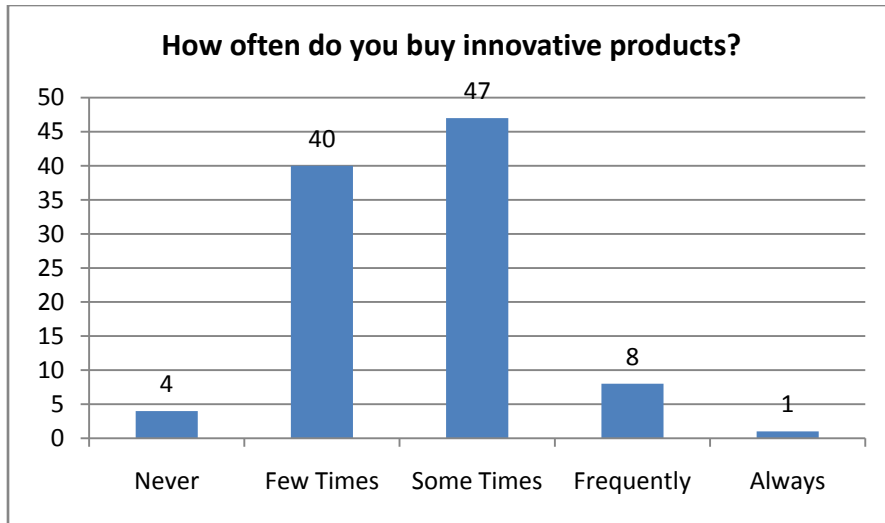
**14. How would you rank our solution in terms of your likeness (Rank between 1 to 5, 1 minimum and 5 for maximum)**

Generally the solution was liked by majority of respondents. In total 95 respondents gave it a ranking between average to best where Good ranking scored the highest 48 responses out of 100 and Best got 15 hits. Thirty two people gave it an average ranking. On the other hand only 4 respondents gave it bad ranking with only 1 saying it worst.



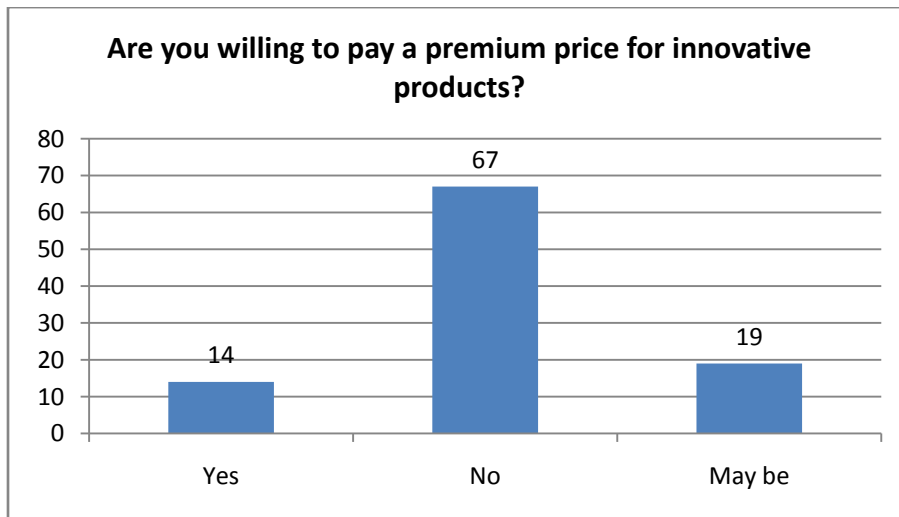
**15. How often you buy innovative products in the market?**

We asked this question to check the market trend towards innovative products. The results showed that majority of the Danish respondents do not usually buy innovative products or buy them very few times. Only 8 out of 100 said that they often purchase innovative products and only one respondent said that he/she always buy innovative products. Forty seven respondents said that they buy them sometime.



**16. If you like to buy innovative products, are you ready to pay a premium price for it?**

As the graph also shows the majority of people who even like innovative products said that they are not usually willing to pay a higher price for innovative products. According to the results 67 out of 100 respondents said that they are not willing to pay a higher price for innovative products whereas only 14 said they are willing to pay a higher price for it. Remaining 19 respondents said that it depends on the product that how much value it offers.



## 17. Any other comments/suggestions?

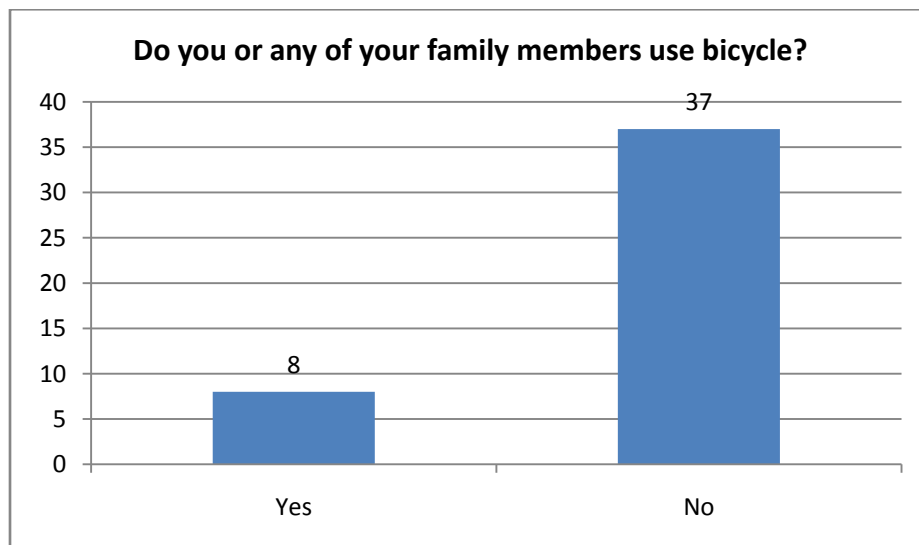
Mainly this question got lowest response but we got few suggestions as well. It was suggested that device should be made available on low price and as an additional feature of new bicycle instead of selling it stand alone. This way it can benefit more people and also will help the company to differentiate their bicycles. Another suggestion was to market this product as an environmental friendly product because people will have fewer excuses not to use a bicycle because of its transportation to far away locations. One respondent suggested that in coming years government might stop the entrance of cars in the central city and this device will have a huge scope when people will park their bicycles outside the city and ride bicycle into the city.

## 5.2 Italy

Following are imperial data findings for France through our structured interviews:

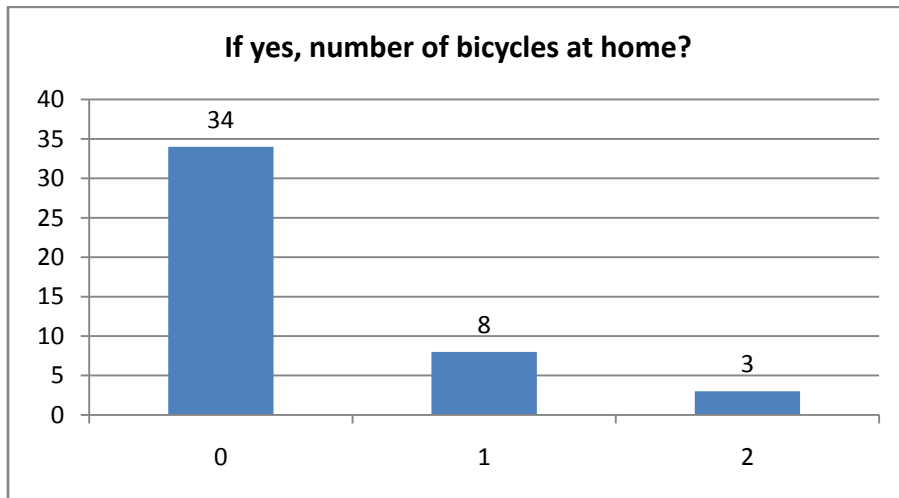
### 1. Do you or any of your family members use bicycle?

The survey was conducted from the people who use bicycle and the screening question was asked in the beginning of questionnaire. The majority of respondents in Italy were not using bicycle. Eight out of 45 respondents were using bicycle or having them at home rest 37 people were not using bicycle.



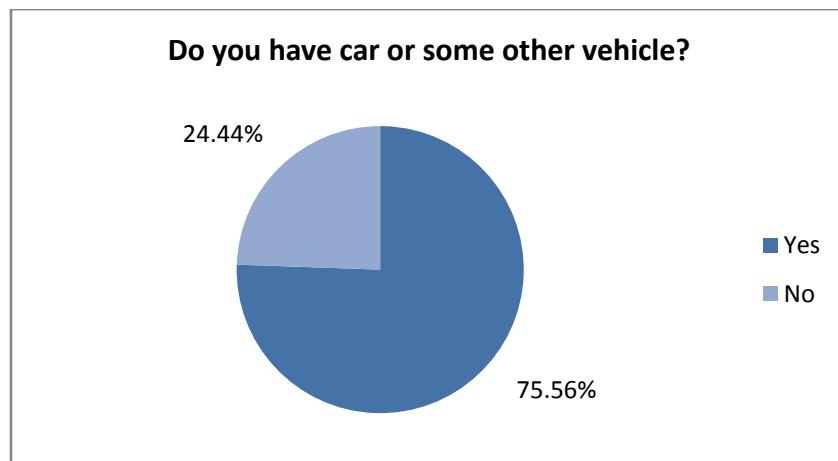
### 2. If yes, number of bicycles at home?

Majority of the respondents didn't have any bicycle at home. In total 34 respondents were not having bicycle at their homes. Sometimes people who doesn't own a bicycle they use a bicycle service provided by the city government where they can lend the bicycle ranging from one hour to monthly cards and they can put it back on any of the locations provided all around the city. Eight out of 45 respondents were having 1 bicycle at their home and 3 respondents were having two bicycles at their home.



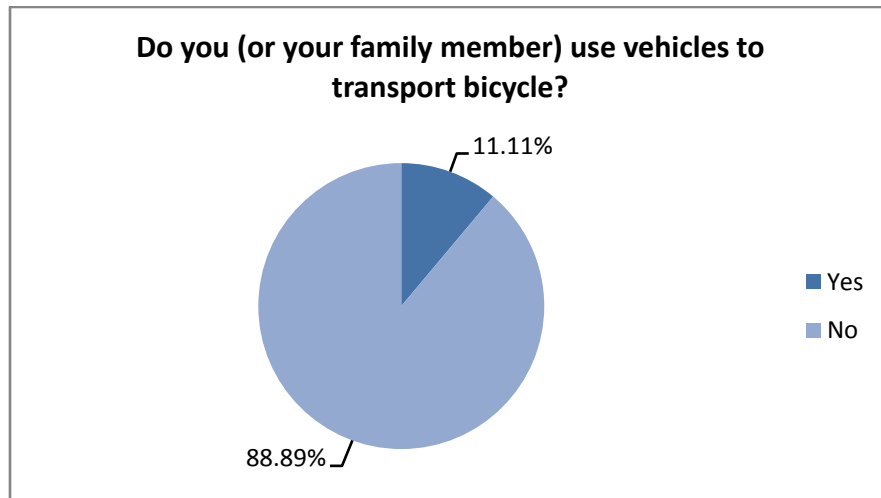
### 3. Do you have car or some other vehicle?

In Italy unlike Denmark majority of the respondents (75.56%) were having their own car and 24.44% of the respondents were not having their own car or vehicle. It shows that cars and own vehicles are used more frequently in Italy.



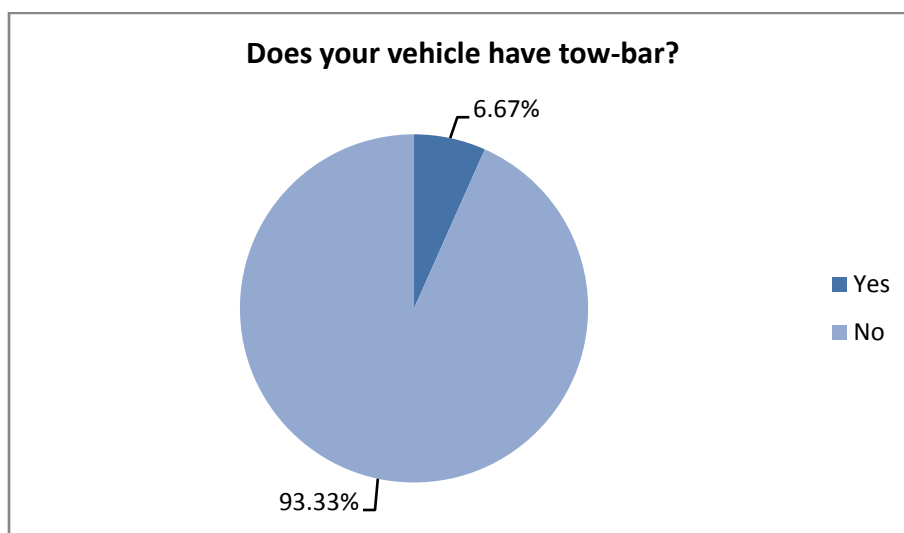
#### 4. Do you (or your family member) use vehicles to transport bicycle?

In total only 11.11% of the people were using some kind of vehicle to transport their bicycles that shows the market segment of the product is not significantly large but if we compare it with Italy's population still it's a sizeable amount.



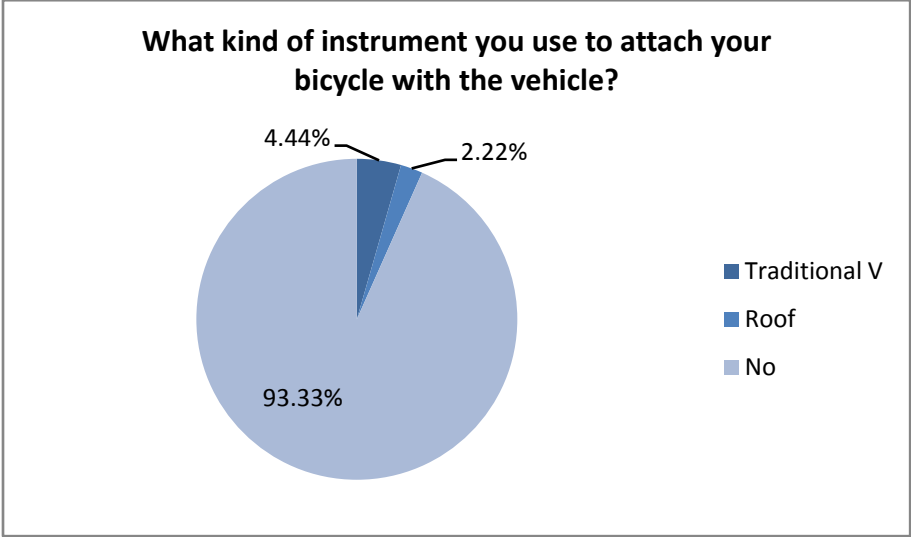
#### 5. Does your vehicle have tow-bar? (A hook to attach other things, tools with the vehicle)

Very small percentage of respondents was having vehicles with tow-bars on them. Only 6.67% of the vehicles owned by respondents or their families had tow bars.



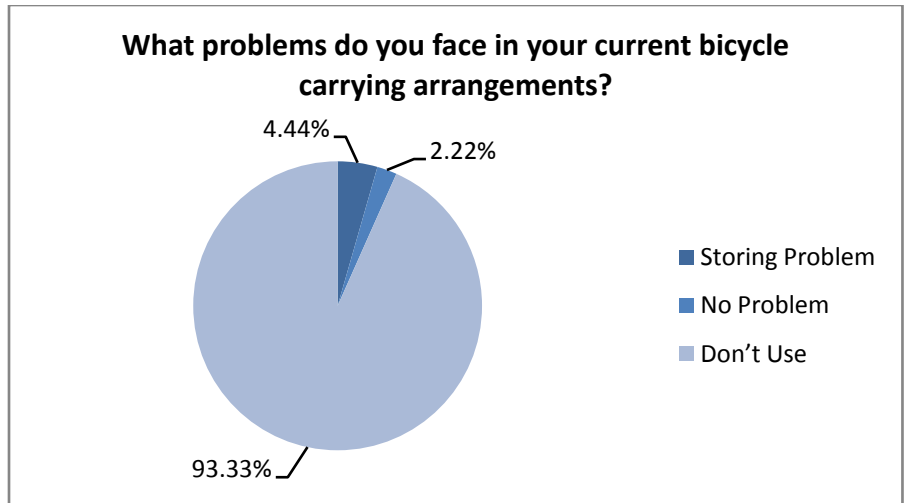
**6. If you carry it on your vehicle, then how you carry it (what kind of device or instrument you use to attach your bicycle with the vehicle)?**

When it comes to transporting the bicycle with car or any other vehicle, users are mainly using traditional V shaped instrument to attach the bicycle on the tow bar of the car. 4.44% of the respondents use the V shaped instrument to transport their bicycles. 2.22% do it by putting it on the roof. The remaining 93.33% does not transport it at all.



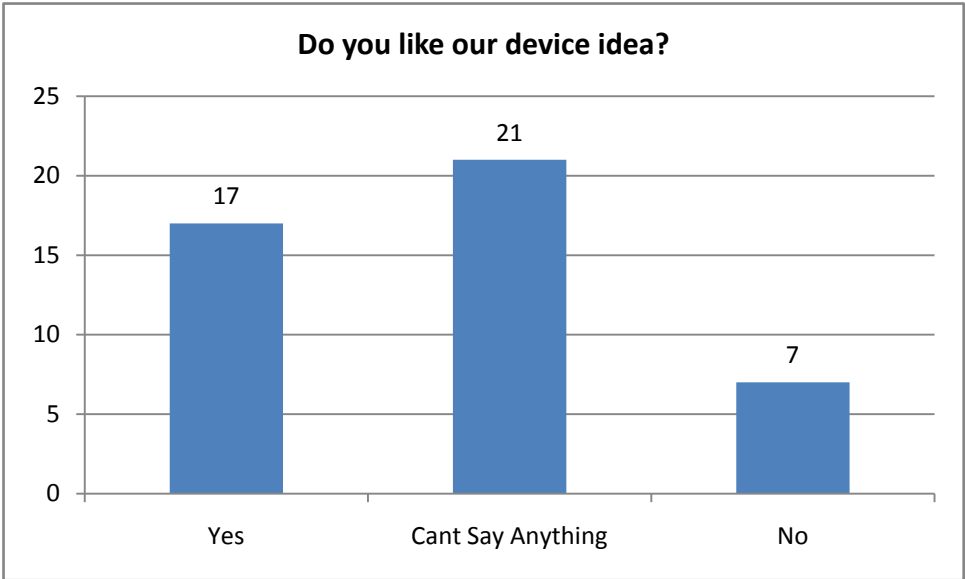
**7. What specific problems do you face in carrying/transporting your bicycle through your current arrangements?**

This question was asked to see what difficulties are being faced by the users while using their current solutions of bike transportation. The only problem discovered in this case was storage problem and it was faced by 4.44% of the respondents and 2.22% were not having any problem with their current arrangements. Just over 93% were not using any device at all.



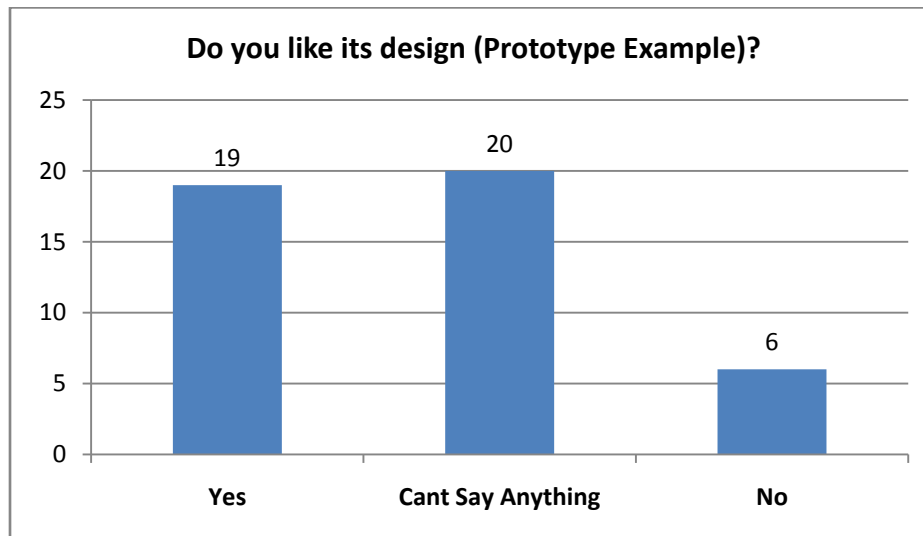
**8. If you find a device which is permanently fixed with bicycle, you just have to lift your bicycle and lock it with the tow-bar, would you like this idea?**

Although most of them were not bicycle user still respondents of our survey liked the idea with 17 out of 45. Twenty one respondents selected the option “can’t say anything” mainly because they were not target customers and were not using bicycles. Seven respondents didn’t like the idea.



### 9. Do you like its design (Prototype Example)?

After explaining the prototype, 19 out of 45 respondents liked the design of the product. Twenty respondents replied that they can't say anything because they were not using bicycles. Six respondents said that they didn't like the prototype.

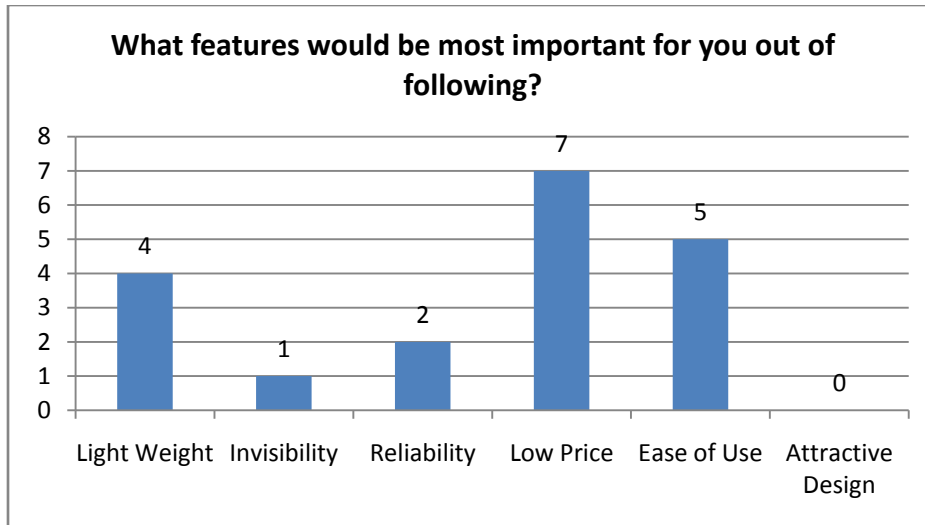


### 10. What do you suggest about this design? (Any changes or improvements)

This open ended question was answered by very few respondents and mainly they suggested that the device should be strong and should be able to take the pressure when car turns or there is a sudden bump on the road. They also suggested that front wheel of the bicycle should be fixed with some chords tightly so that it should not be free.

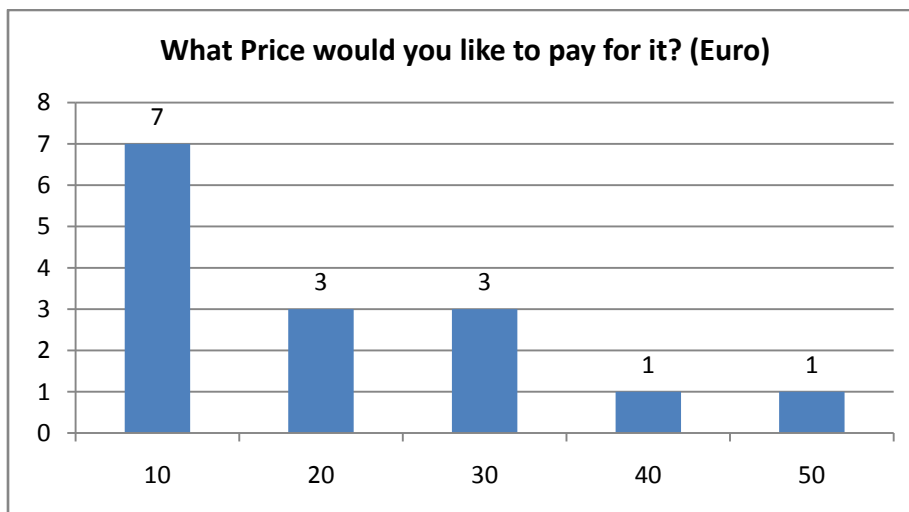
### 11. What features would be most important for you out of following?

While choosing among most important features of the product, seven out of 45 people selected low price to be at first place in priority. Ease of use and light weight were second to follow with 5 and 4 ticks respectively. Reliability got 2 while one user selected invisibility. Lowest was the attractive design feature which could not manage to get any respondent's selection.



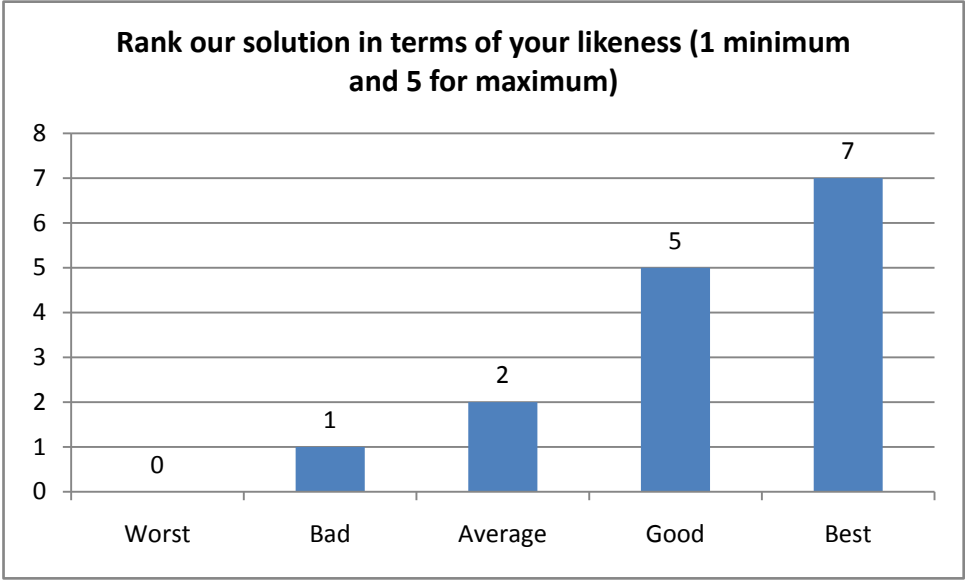
**12. What Price would you like to pay for it?**

As it's shown in the table on average majority of people was willing to pay a price of the product between 10 to 30 Euros. Seven people were willing to pay 10 Euro for the product whereas 40 and 50 Euros were selected by one respondent each.



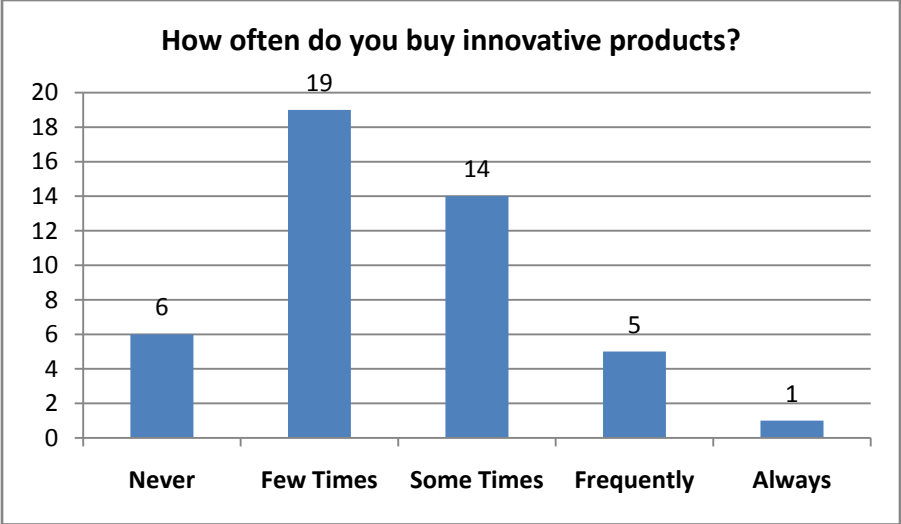
**13. How would you rank our solution in terms of your likeness (Rank between 1 to 5, 1 minimum and 5 for maximum)**

Regarding likeness of the solution we got favourable responses. Seven respondents said that its best and five of them rated it as good. Two respondents gave it an average rating and only one of them didn't like the solution.



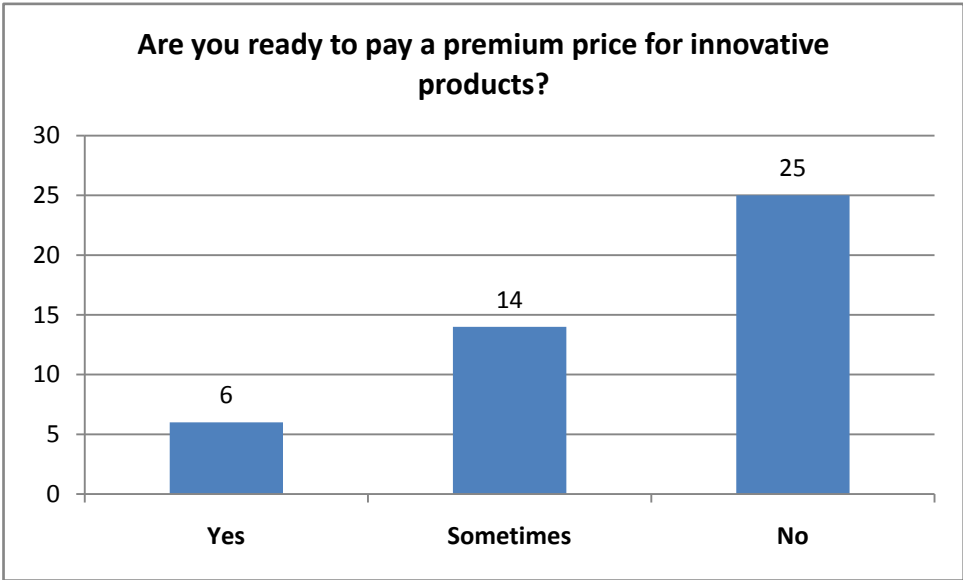
**14. How often you buy innovative products in the market?**

Regarding innovation adaptation trends we saw that majority of the respondents is not a frequent buyer of innovations. 19 and 14 out of 45 total respondents said they buy innovative products few time and some times respectively. Only one respondent mentioned that he always go for innovative products while 5 of them said that they frequently buy innovative products.



**15. If you like to buy innovative products, are you ready to pay a premium price for it?**

In response to this question only 6 out of 45 respondents said that they are willing to pay premium price for innovative products. Fourteen respondents said that it depends on the product and sometimes they pay a higher price. Remaining 25 said no to premium price.



## 16. Any other comments/suggestions?

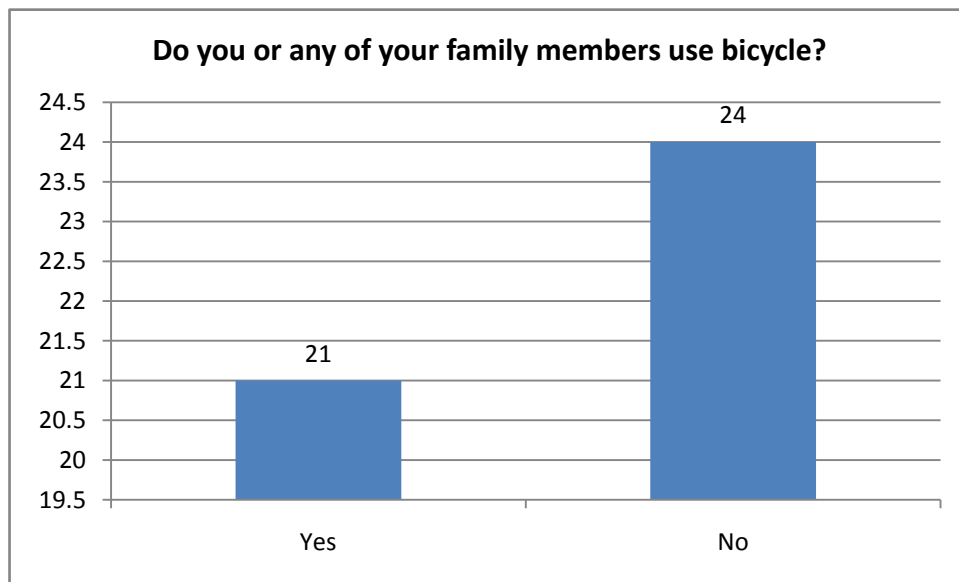
This portion was left blank mainly due to language problem. One suggestion was to supply these devices to city government which has its bicycle available for rent on many spots throughout the city.

### 5.3 France

Following are imperial data findings for France through our structured interviews:

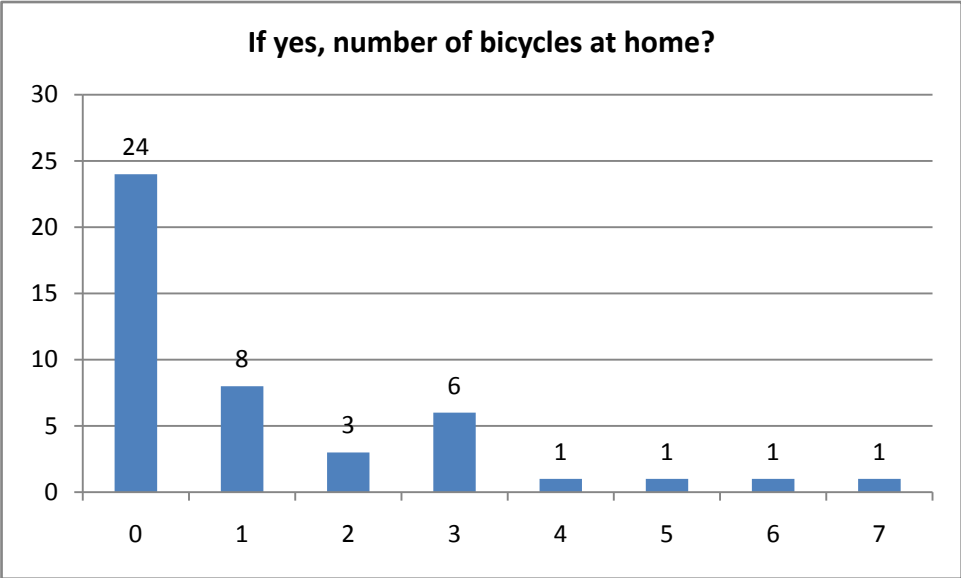
#### 1. Do you or any of your family members use bicycle?

The survey was conducted from the people who use bicycle and the screening question was asked in the beginning of questionnaire. However in France many of the respondents were not using bicycles because there is a trend of using cars and motorbikes more than bicycles. The majority of respondents were not using bicycle. Twenty one out of 45 respondents were using bicycle or having them at home rest 24 people were not using bicycle.



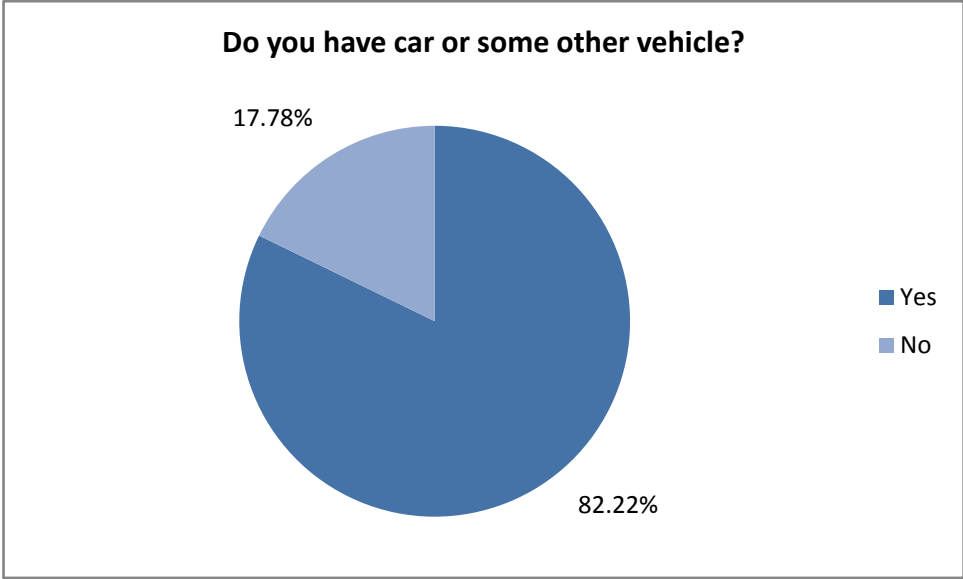
#### 2. If yes, number of bicycles at home?

Majority of the respondents didn't have bicycles at home. In total 24 respondents were not having bicycle at their homes. Sometimes people who doesn't own a bicycle they use a bicycle service provided by the city government in Paris where they can lend the bicycle ranging from one hour to monthly cards and they can put it back on any of the locations provided all around the city. Eight out of 45 respondents were having 1 bicycle at their home and 3 respondents were having two bicycles at their home. Six of them where having 3 bicycles and one respondent of them had 4, 5, 6 and 7 bicycles respectively.



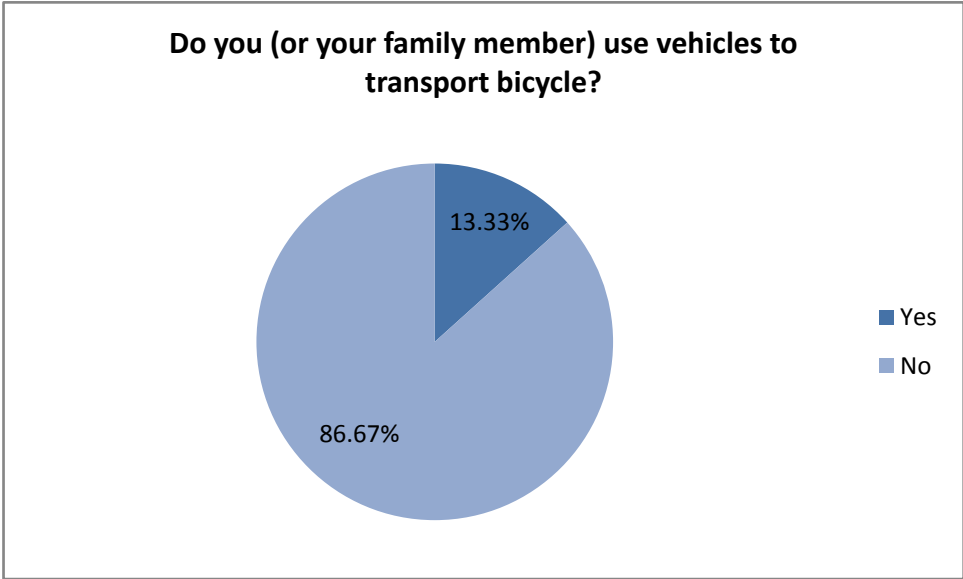
**3. Do you have car or some other vehicle?**

In France, unlike Denmark, majority of the respondents (82.22%) were having their own car or vehicle and 17.78% of the respondents were not having their own car or vehicle. It shows that cars and own vehicles are used more frequently in France.



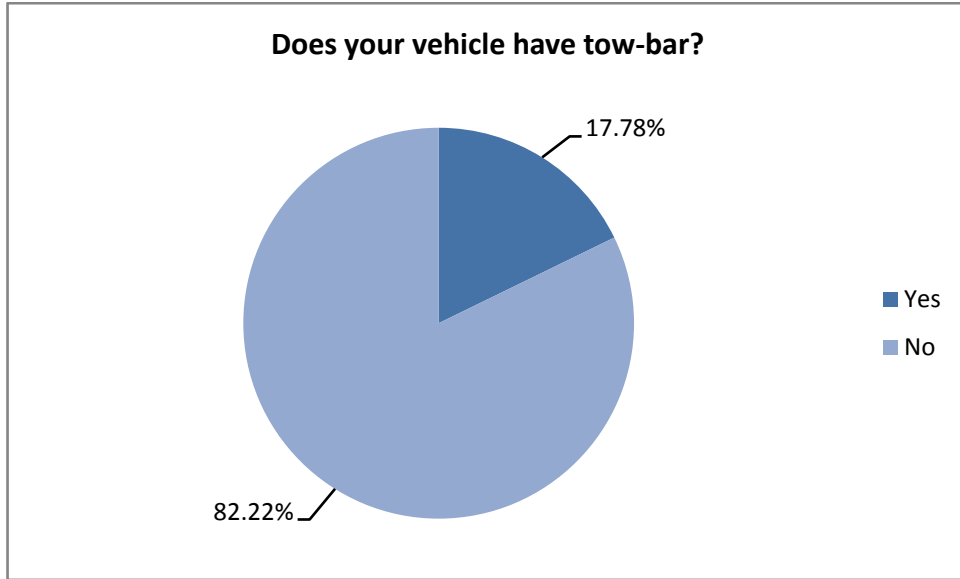
**4. Do you (or your family member) use vehicles to transport bicycle?**

In total only 13.33% of the people were using some kind of vehicle to transport their bicycles that shows the market segment of the product is not significantly large but if we compare it with France’s population still it’s a sizeable amount.



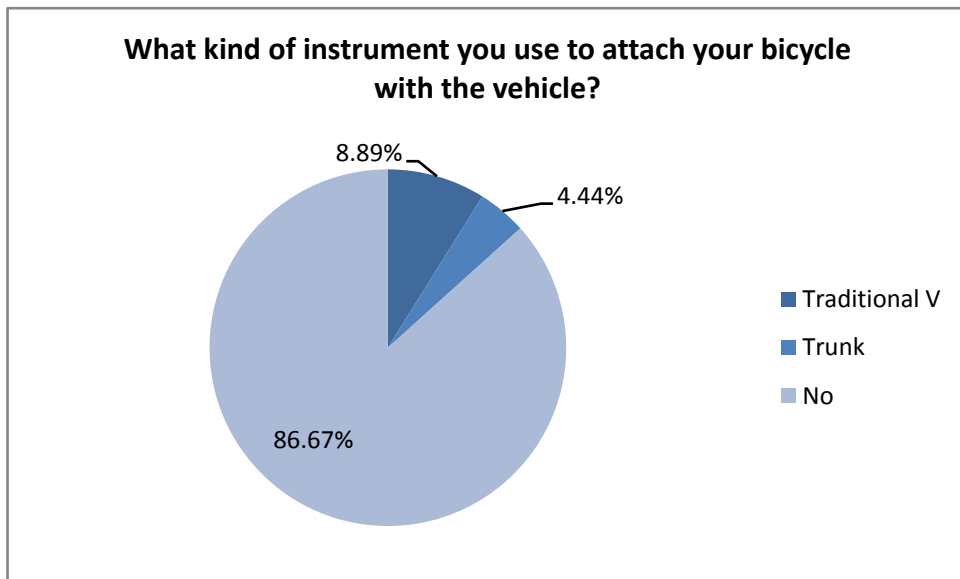
**5. Does your vehicle have tow-bar? (A hook to attach other things, tools with the vehicle)**

A small percentage of respondents were having vehicles with tow-bars on them. Only 17.78% of the vehicles owned by respondents or their families had tow bars.



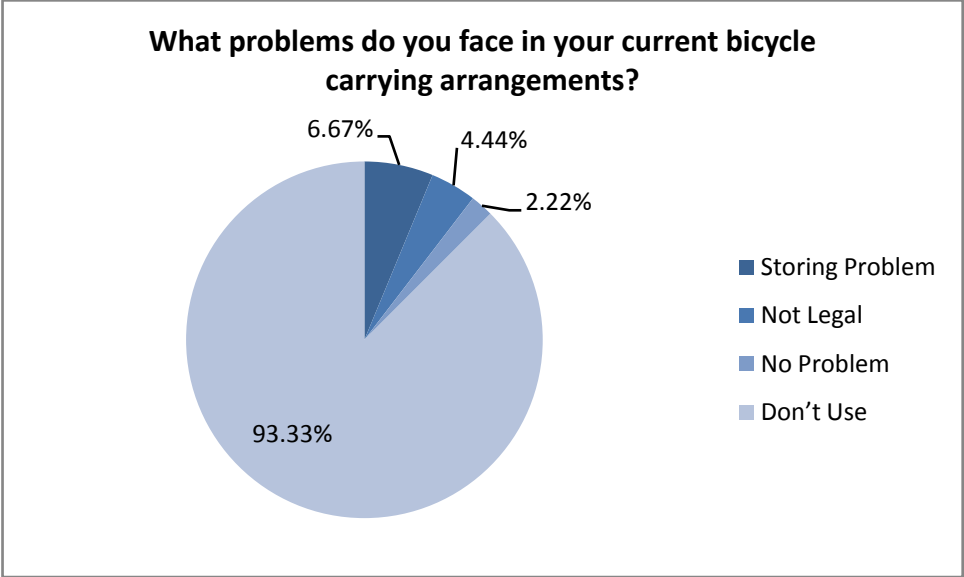
**6. If you carry it on your vehicle, then how you carry it (what kind of device or instrument you use to attach your bicycle with the vehicle)?**

When it comes to transporting the bicycle with car or any other vehicle, users are mainly using traditional V shaped instrument to attach the bicycle on the tow bar of the car. 8.89% of the respondents use the V shaped instrument to transport their bicycles. 4.44% do it by putting it in the trunk. The remaining 86.67% does not transport it at all.



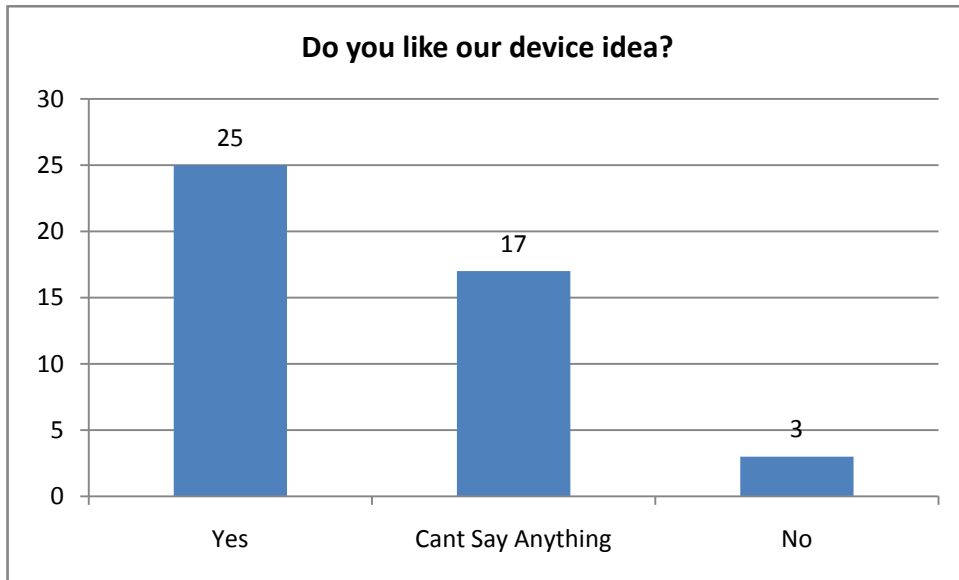
**7. What specific problems do you face in carrying/transporting your bicycle through your current arrangements?**

This question was asked to see what difficulties are being faced by the users while using their current solutions of bike transportation. The only problem discovered in this case was storage problem and it was faced by 6.67% of the respondents and 2.22% were not having any problem with their current arrangements. 4.44% replied that is illegal and is not allowed to use if it hides number plates or lights of the car. Just over 93% were not using any device at all.



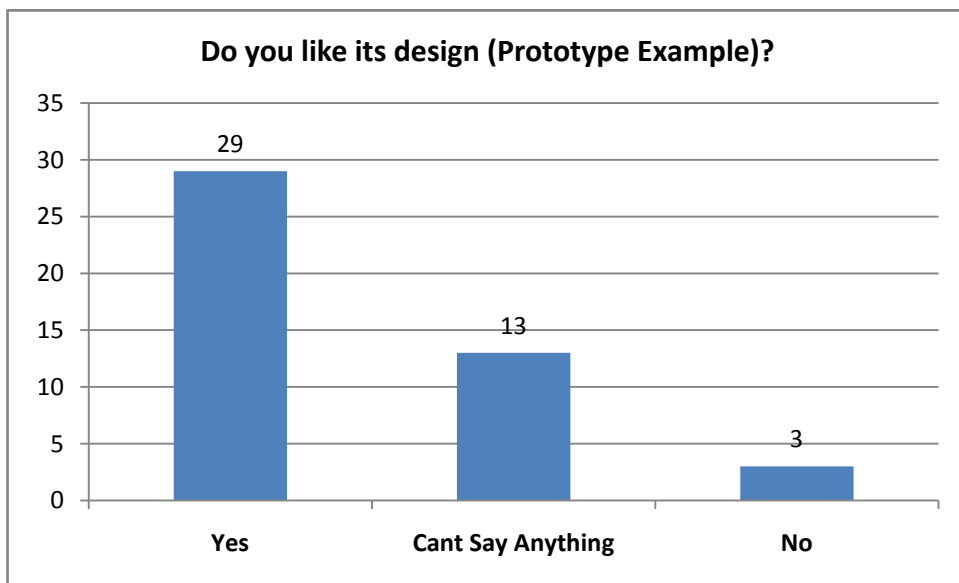
**8. If you find a device which is permanently fixed with bicycle, you just have to lift your bicycle and lock it with the tow-bar, would you like this idea?**

Although most of them were not bicycle user still respondents of our survey liked the idea with 25 out of 45. Seventeen respondents selected the option "can't say anything" mainly because they were not target customers and were not using bicycles. Only 3 respondents didn't like the idea.



**9. Do you like its design (Prototype Example)?**

After explaining the prototype, 29 out of 45 respondents liked the design of the product. Thirteen respondents replied that they can't say anything because they were not using bicycles. Only 6 respondents said that they didn't like the prototype.



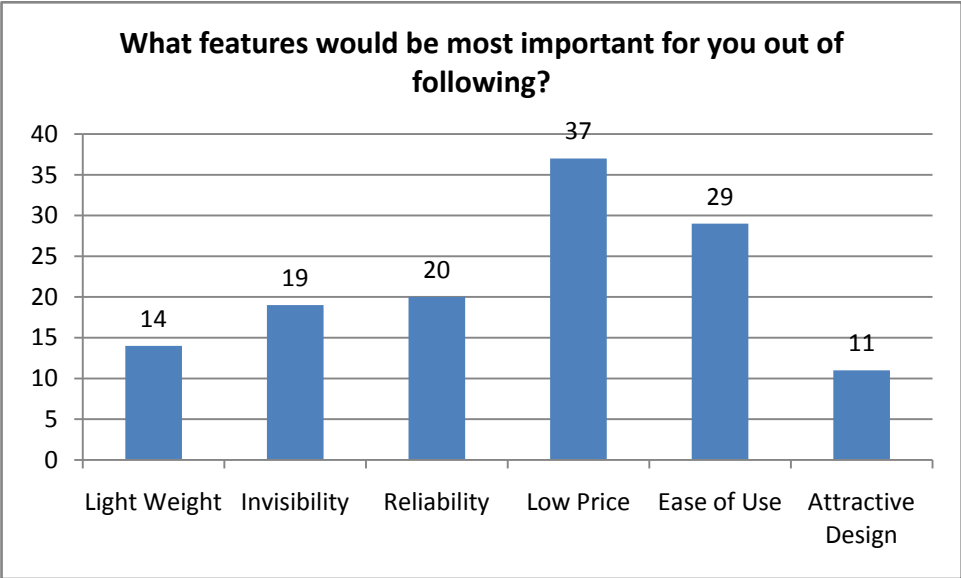
**10. What do you suggest about this design? (Any changes or improvements)**

This open ended question was answered by very few respondents and mainly they suggested that the device should be strong and should be able to take the pressure when car turns or

there is a sudden bump on the road. The main concern was with the reliability of the device and they wanted it to be strong enough to sustain a bicycle.

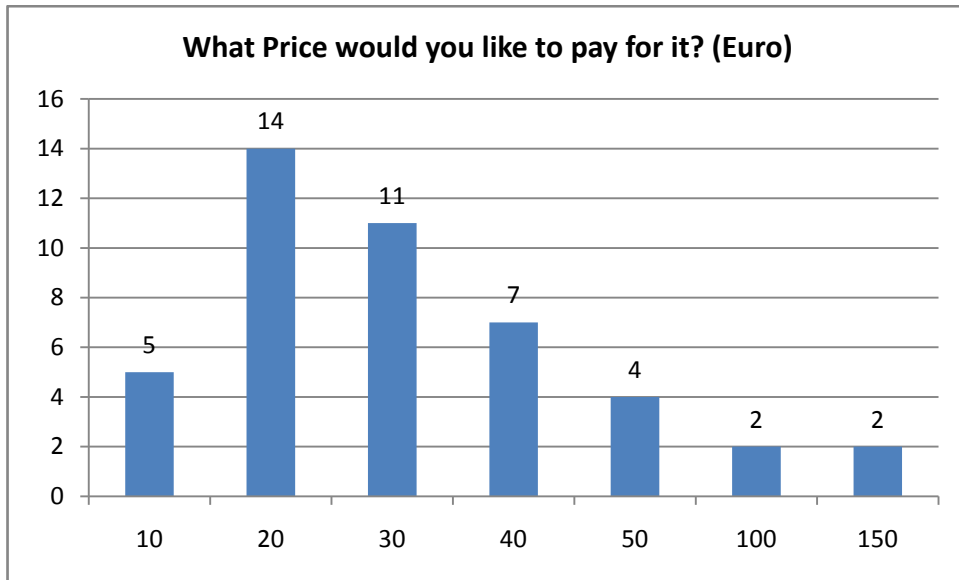
**11. What features would be most important for you out of following?**

While choosing among most important features of the product, 37 out of 45 people selected low price to be at first place in priority. Ease of use, reliability and invisibility were to follow with 29, 20 and 19 ticks respectively. Light weight got 14. Lowest was the attractive design feature which could only manage to get 11 response selections.



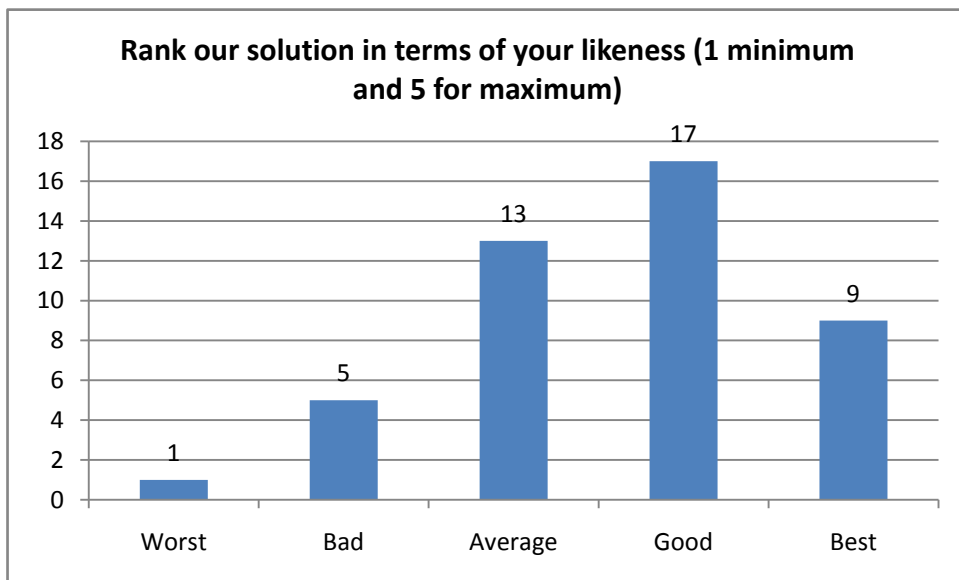
**12. What Price would you like to pay for it?**

As it's shown in the table on average majority of people was willing to pay a price of the product between 20 to 40 Euros. Fourteen people were willing to pay 20 Euros followed by 11 and 7 for 30 and 40 Euros respectively whereas 100 and 150 Euros were also selected by two respondents each.



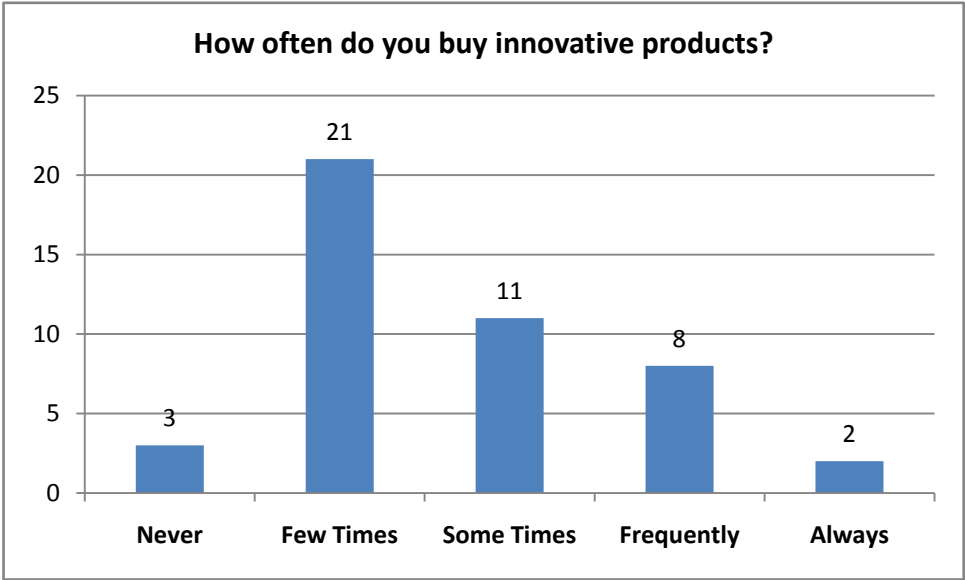
**13. How would you rank our solution in terms of your likeness (Rank between 1 to 5, 1 minimum and 5 for maximum)**

Regarding likeness of the solution we got favourable responses. Nine respondents said that its best and 17 of them rated it as good. Thirteen respondents gave it an average rating and only one of them didn't like the solution.



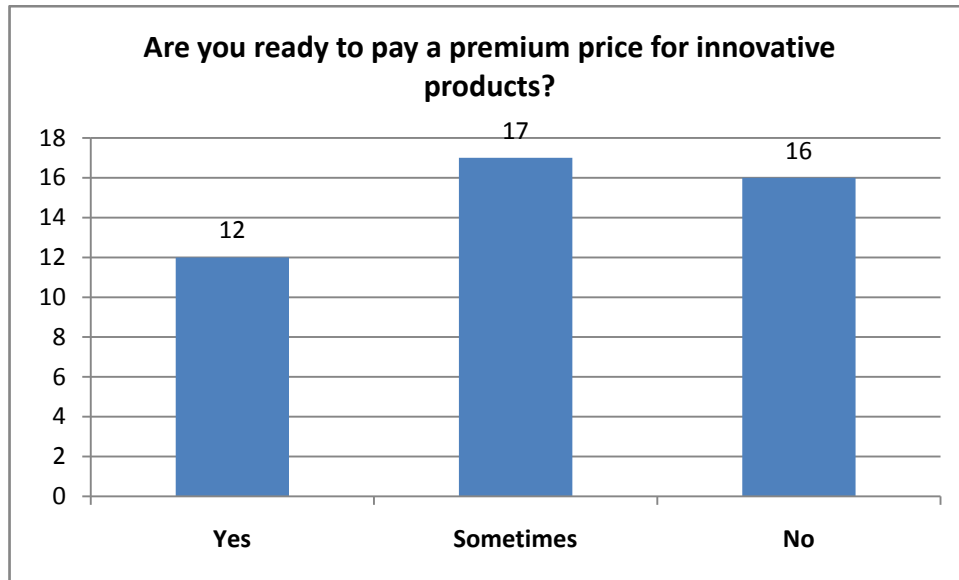
**14. How often you buy innovative products in the market?**

Regarding innovation adaptation trends we saw that majority of the respondents is not a frequent buyer of innovations. 21 and 11 out of 45 total respondents said they buy innovative products few time and some times respectively. Only two respondents mentioned that he always go for innovative products while 8 of them said that they frequently buy innovative products.



**15. If you like to buy innovative products, are you ready to pay a premium price for it?**

In response to this question only 12 out of 45 respondents said that they are willing to pay premium price for innovative products. Seventeen respondents said that it depends on the product and sometimes they pay a higher price. Remaining 16 said no to premium price.



**16. Any other comments/suggestions?**

This portion was left blank mainly due to language problem. One suggestion was that the lights of the car should be visible and must not hide behind bicycle.

**5.4 Interview with Gunnar Widforss**

Below is the summary of the interview of Mr. Gunnar Widforss conducted by authors.

**Transcription of the interview**

While telling about the future plans the owner mentioned that the product development is now in process with the help of a local product realization centre. The feedback from customers will also be considered in the final product and all concerns will be taken care off.

Regarding his plans for launch and internationalization he told that he has applied for the Swedish patents and he will be looking forward to enter Denmark as the first stage of the internationalization because the results are very encouraging as compared to other markets.

Regarding investment or partnerships he mentioned that he is open to different choices and one out of them was collaboration with an international Swedish bicycle company named “Thule”. The company calls itself as world leader in bicycle market and they have their operations in almost whole Europe and USA as well.

Another option according to him was to license the product to third party who can make and distribute it and his company can retain the marketing function. In short the owner of company is not in favor of in-house production. He is planning to either only market or consider licensing all processes to the bicycle company.

## **6 Analysis**

As per Fisher (2006) while doing analysis results are presented first in a manner that should explain their meanings. We have presented our relevant results in market selection section to show an overall picture of market trends to the reader and then analyzed them with help of the chosen theories. However mostly in this chapter the findings are discussed with respect to the theoretical framework by following explanation building strategy (Yin, 1994) in which different aspect and theories mentioned in our theoretical framework are matched against the empirical findings.

The initial concern is to decide about the target market by examining different factors which can affect the market commitment decisions. After selecting one or more suitable markets with the help of analysis, the work will move forward to the later part of the analysis required to determine a successful market entry strategy.

### **6.1 Target Market Selection**

Here analysis will be performed for each country separately which will lead to the conclusion that whether Widforss industries should enter into the respective market or not. Consumer/market trends in different countries will direct the study to conclusion.

#### **6.1.1 Presentation of Market Trends**

The relevant results for different categories reflecting clear market trends are presented here in a short form.

##### ***Frequency of Use of Bicycles***

The product is for the people who need to carry their bicycles with the help of cars or any other suitable vehicle. It is an innovative device that would be attached to the bicycles and one can link the bicycle directly without using a separate device. First of all we checked, what is the frequency of use of bicycles in a particular country? Q 1-2 belongs to this category. Results specific to respective countries are presented below;

### *Denmark:*

Almost everybody in Denmark use bicycles which is reflective from our survey results where 95 % respondents were using bicycles. A good amount of them have multiple bicycles at home (38 % have one, 24 % have two, 15 % have three, 9% have four, 8% have five) which shows that bicycles is very much part of their daily life.

### *France:*

Many of the respondents were not using bicycles because there is a trend of using cars and motorbikes more than bicycles. The majority of respondents were not using bicycle. 21 out of 45 respondents were using bicycle or having them at home rest 24 respondents were not using bicycle. Not many people have it at home, situation in Paris was similar to Italy where they can rent the bicycles easily from any point into the city and leave it at any other place nearby their destination.

### *Italy:*

Eight out of 45 respondents were using bicycle or having them at home remaining 37 people were not using bicycle. Majority of the respondents didn't have any bicycle at home. In total 34 respondents were not having bicycle at their homes. Sometimes people who doesn't own a bicycle they use a bicycle service provided by the city government where they can lend the bicycle ranging from one hour to monthly cards and they can put it back on any of the locations provided all around the city. Eight out of 45 respondents were having 1 bicycle at their home and 3 respondents were having two bicycles at their home

## **Compatibility with the Product**

The product is an innovative solution to the consumer who needs to transport their bicycles through their vehicles. So, to be able to use our product having a vehicle (car, vagon etc) is necessity. The car needs to have tow bars attached with them in order to fix our device, when required to transport bicycles. Since, tow bars can be attached with the cars at any point if the

real demand of the product is there. So, we do not consider it as necessity but it is preferable if they have already because it would increase the likelihood of use of our product.

*Denmark:*

40% of the respondents also used cars, out of these, 56% of the vehicles owned by respondents or their families had tow bars on them. 53% of the people from total sample of the respondents were using some kind of vehicle to transport their bicycles that shows the market of the product is significant among bike users.

*France:*

In France, unlike Denmark, majority of the respondents (82.22%) were having their own car or vehicle and 17.78% of the respondents were not having their own car or vehicle. It shows that cars and own vehicles are used more frequently in France.

Out of 46 % respondents who were using bicycles only 13.33% of the people were using some kind of vehicle to transport their bicycles that shows the market segment of the product is not significantly large but if we compare it with France's population still it's a sizeable amount. Only 17.78% of the vehicles owned by respondents or their families had tow bars.

*Italy:*

In Italy unlike Denmark majority of the respondents (75.56%) were having their own car and 24.44% of the respondents were not having their own car or vehicle. It shows that cars and own vehicles are used more frequently in Italy.

In total only 11.11% of the people were using some kind of vehicle to transport their bicycles that shows the market segment of the product is not significantly large but if we compare it with Italy's population still it's a sizeable amount.

Very small percentage of respondents was having vehicles with tow-bars on them. Only 6.67% of the vehicles owned by respondents or their families had tow bars.

## **Competition Products**

Here it was checked that what kind of products are already in competition. As we did not know before investigating a particular market if they are using similar traditional products as in Sweden which motivated this innovation. On the other hand we wanted to see if there was another innovative product in place already in the market so that we can devise our strategy accordingly. We also asked them if they were happy with the current arrangement or facing some difficulties.

### *Denmark:*

When it comes to transporting the bicycle with car or any other vehicle, users are mainly using traditional V shaped instrument to attach the bicycle on the tow bar of the car. 79% of the respondents, who are transporting their bicycle with vehicles, use the V. Remaining users; transport it with Trunk, Train or roof of the car. Installation and difficulty in storage of the traditional V shaped tool were observed as major problem with existing arrangements. While a large chunk, 42 respondents, also think that they don't have any problem with their current arrangement, but this might be due to the fact they were not aware of any other better solution.

### *France:*

Traditional V type device is winner again, while storage was the major problem as expected.

### *Italy:*

Mostly people who carry bicycles through some vehicle use V shaped traditional tool. However, there number was considerably small; usually they do not need to carry their bicycles anywhere. Storage was major issue linked with use to traditional device.

## **Innovation Adoption**

Market demand can be modelled by early prediction of consumer attitude towards innovative products (Langley et al, 2009). Consumer innovator plays a vital role in the diffusion and ultimate adoption of new products (Bayus and Mason 2003).

### *Denmark:*

We asked this question to check the market trend towards innovative products. The results showed that majority of the Danish respondents do not usually buy innovative products or buy them very few times. Only 8 out of 100 said that they often purchase innovative products and only one respondent said that he/she always buy innovative products. Forty seven respondents said that they buy them sometime.

### *France:*

Regarding innovation adaptation trends we saw that majority of the respondents is not a frequent buyer of innovations. 21 and 11 out of 45 total respondents said they buy innovative products few time and sometimes respectively. Only two respondents mentioned that he always go for innovative products while 8 of them said that they frequently buy innovative products.

### *Italy:*

Regarding innovation adaptation trends we saw that majority of the respondents is not a frequent buyer of innovations. 19 and 14 out of 45 total respondents said they buy innovative products few time and sometimes respectively.

## **Likelihood of our Innovative Idea**

Motivation was to check the overall likelihood the idea of our innovative product. We asked them to rank our product on 1-5 scale to see if our product has succeeded an initial appeal in consumer's mind.

### *Denmark:*

In total 95 respondents gave it a ranking between average to best where Good ranking scored the highest 48 responses out of 100 and Best got 15 hits. Thirty two people gave it an average ranking. On the other hand only 4 respondents gave it bad ranking with only 1 saying it worst.

*France:*

Regarding likeness of the solution we got favourable responses. Nine respondents said that its best and 17 of them rated it as good. Thirteen respondents gave it an average rating and only one of them didn't like the solution.

*Italy:*

Regarding likeness of the solution we got favourable responses. Seven respondents said that its best and five of them rated it as good. Two respondents gave it an average rating and only one of them didn't like the solution.

### **6.1.2 Uppsala Model**

There are four parts or factors in Uppsala model but we have adopted only two of them as show in the figure below;

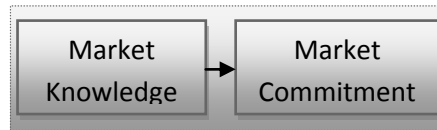


Figure 6.1: Adaptation from the Uppsala Model

Hence market knowledge and market commitment are stages where we are more interested in this process model. Our analysis with regard to this model is focused on both these factors.

Market knowledge that we have achieved through our market research in three countries is showing clear differences and market trends.

People are quite found of cycling in Denmark (95 %). Whereas 40% of the respondents who were using bicycles, also own the cars. Out of those 40 %, more than half of them (56 %) have tow bars attached with their cars while a similar amount (53%) use their cars to carry bicycles.

Consumers are not very exciting towards buying innovative products usually but they liked our innovative idea very much and definitely saw the value into it.

Cycling does not seem to be very popular transport in Italy (17.7 %). In contrast to this majority of respondents (75 %) were using cars. Only 11 % were using carrying their bicycles with some kind of arrangement whereas, just 6.67 % were having tow bars attached with their cars. We can see that people either use bicycles or cars; it is very rare to find the combination of both. In major cities like Milano, there is abundant facility of renting bicycles from various points in the city at very low rates. People can rent them from any point and leave it at some other. Regarding innovation adaptation trends we saw that majority of the respondents is not a frequent buyer of innovations. But our innovative product idea fascinated the respondents, most of them liked it. In Italy one of car manufacturer has introduced a new model in which bike carrier is installed with sophistication on the back of the car. This was a new discovery for us and can be a good competitor in future.

In France cars are very popular medium of transportation (82 %), and also handsome amount of respondents (46 %) were using bicycles. But only a small number of (13 %) respondents who were using bicycles, use their vehicles to carry their bicycles. Nearly 18 % of the respondents who use cars also have tow bars attached with them. Although respondent's view of our product is encouraging but they are not in favour of buying innovative products in general. Similar to Italy, in bigger French cities like Paris, people can rent bicycles from various places in the city easily. However, there is no similar or any other innovative solution at present.

Overall market demand in Italy and France is not as such that we should commit limited resources of this small firm at this stage into these foreign markets. Although respondents in both countries like the idea and admired it as smart but we cannot see a real need for such kind of product at this moment. If we were successful in identifying needs of consumers coupled with this likeliness of the product, then these markets would have been better than Denmark if we compare the size of the markets.

Moreover Italy and France lies at greater physic and physical distances from this Swedish firm. As per Uppsala model firms should first enter into markets lying at less psychic distance (Johanson & Wiedersheim-Paul 1975, p. 308). Psychic distance has been termed as very important in early internationalization process of SMEs as the firms which don't have any international experience or very little amount of it, tend to enter the markets (*Armario et al., 2008*).

As, Widforss industries do not have any international experience so it is very appropriate for this firm to enter into market lying at less psychic distance at its early internationalization stage. Entering in Danish market first will give Widforss industries an opportunity to attain experiential learning which is theme of the stage model (Forsgren, 2002). Trends in Denmark are apparently encouraging though not very exciting and there is visible need of the product in this neighbouring country also.

Uppsala model is not purely for analyzing an entry decision into foreign markets but it is of the view that market knowledge leads to commitment of resources in particular markets. We have shown here, that if direct market knowledge for an international market can be acquired through market research, we may base our commitment decision on that. Finally, these commitment decisions will lead to a market entry decision.

We think we are successful in determining a practical mechanism through which market knowledge can be acquired without practicing into a foreign market by innovative SMEs. Lack of such mechanism has been observed in Nordic model by the researchers (Andersen, 1993). Our research technique or method may not be of required quality but it can still serve as motivator for further research in this direction.

### **6.1.3 International Entrepreneurship**

International entrepreneurship is overall process of our conceptual framework where innovation is input and successful execution of innovation is output. In between innovation and its successful execution we are using some methods and techniques which help achieving success at the end. We would like to link our related to this theory analysis with the Uppsala model discussion, where we have already discussed the market trends so we do not want the

redundancy of information. Here we have just made a discussion by using our conclusions which we inferred in the previous discussion.

International entrepreneurship theory talks about proactive innovative approach and calculated risk (Mtigwe, 2006). So, we should make an entry decision that is in favour of efficient exploitation of the innovation and risk reduction. It is quite obvious that if the market demand of product is apparent in the market, there is less risk of failure and innovation can be exploited successfully. In connection with our discussion in Uppsala model and implications of I.E theory, we reached the decision that at this stage, Widforss industries should select only Denmark out of the surveyed markets. After having some experiential knowledge and success firm could move towards France followed by Italy.



Fig 6.2: International Entrepreneurships Selected definition for the study

(Developed by the authors)

One can observe both theories which are against each other at some points are supporting our entry decision but that would not have possible without market survey. Uppsala model is quite conscious about risk associated with foreign markets and does not support direct entry into international markets. I.E theory is more influenced by entrepreneurial drive but at the same

time it supports the proactive behaviour. Careful market research is a tool which can minimize the concerns of Uppsala model about risks associated with international market whereas; it supports the proactive aspect in I.E model.

## 6.2 Price (Skimming Vs Penetration)

Penetration strategy has been suggested in price sensitive markets and where the objective of the firm is to rapidly stimulate in the market. Traditionally a company adopts skimming strategy when the target market or segment is price insensitive and willing to pay premium price and also when there is limited supply, skimming strategy is adopted to minimize the risk and maximize the risk. The firm product also plays a vital role in this regard, if a company selling an innovative and unique product it has the option to choose skimming strategy until the competition forces a lower price. Otherwise firm should go with 'penetration pricing strategy'. (Ghuri and Catoera, 2008, p.441)



Fig 6.3: Skimming Vs. Penetration (Adopted for Price)

But in our case here, we have some contradiction, we are selling an innovative product but our target market is price sensitive as shown in our survey results. Although they liked the idea even then 67 % of the respondents said they are not willing to pay a premium price for it. When asked about price specifically, most of the responses lie between 200 DKK to 500 DKK, which is not a premium price anyways. When asked in Q 17 if they were ready to pay premium price for innovative products, the answer was no from majority (67 %). Responses from both questions and consumer's expressions while being interviewed showed that these people are price sensitive. As well as we are having some competition, people already have options to transport their bicycles by using other devices (Tradition V type mostly). Penetration strategy has been advised by Ghuari and Cateora (2008) in countries like Denmark where there is constant and rapid growth.

As we are of the view that this product should come as an added feature to the bicycles and should targeted masses instead of few people. By looking at all miscellaneous factors discussed above Penetration strategy seems more appropriate in our case. It could be profitable too for Widforss. As said by Ghauri and Cateora (2008), Penetration strategy can be more profitable than skimming because it can increase the market share and overall revenue.

### 6.3 Product (Kano Model)

In Q 12 we checked the importance of product features by consumer perspective. This was a multiple choice question where consumer can tick more than one answers.



Fig 6.4: Kano Model (Adopted for Product)

The overall ranking of the product features that we received is described below in the tabular form.

Feature	Response %	Ranking
Ease of Use	61	1
Light Weight	46	2
Reliability	43	3
Low Price	39	4
Invisibility	26	5
Attractive Design	06	6

Table 6.1: Ranking of product features

Ranking shown in the above table is not such that we can categorize them in Kano model categories, but we have used them in connection with overall survey results and feelings that we got from face to face interaction.

Assumed or must be:

The basic function of our device is that it would be attached with bicycle and can be fixed with tow bar of the car for transportation purposes. So the features fulfilling the basic functionality will fall into this category such as reliability (rank 3). Whereas low price seems to be a assumed features also.

Expected:

Ease of use remains at highest priority (Rank 1) of customer expectations or desires. Consumer expects this product to be light weight (Rank 2).

Delighted Features:

These features or not described explicitly by the consumer. It is the job of the researcher to identify them by asking in depth questions from consumers about product or through analyzing their problems (Sauerwein et al., 1996). The features that we identified as delighted are listed below;

Portability: Some consumer showed the disadvantages linked with usage of our product in comparison with the competitor's products (traditional V). Traditional separate devices offer transportation of the multiple at a time. And in Denmark a handsome number of people have more than one bike at home. Consumers identifying this problem did not rejected our product but expressed that if this issue was resolved, they would be very excited to use our product because it is offering other benefits which the traditional devices do not offer. Adding functionality of usability of the device with more than one bicycle at a time would be a delighted feature. Or at least it should be portable so that one can attach the same device with different bicycles at different times.

Number Place issue: We have been told by the consumers that one issue that they face while carrying their bicycles through car is that it hides the number plate and they have to buy a separate number plate, so that they can hang it with bicycle to make it visible otherwise it is illegal. We cannot change the traffic rules but we can offer some part which can help into this work. For example a plastic ribbon or clip which could use to attach the extra number plate with the bicycle easily.

Less or not important features:

Invisibility (Rank 5) and Attractive design (Rank 6) was not considered as important or wanted by the respondents. So that's why we did not put them under any category.

Kano model if used carefully is valuable tool to get a competitive advantage through product differentiation. Design is always a trade-off activity (Parker, 2006) so, it is very important to know that which trade-offs should be made. Kano method is an efficient tool to analyze consumer preferences. We selected this model because of our interest in product design as well but we included it after research survey as we were looking for a best suitable analysis technique for product design so our questionnaire lack the structure best suitable for this model. But it helped us to look into product features critically.

#### **6.4 Advertising / Promotion**

For advertising and promotion basically the data received from Denmark would be analyzed because according to the analysis Italy and France are not as conducive for entry as Denmark is.

##### **6.4.1 Presentation of Market Trends**

Questions number 12 in the survey is relevant for advertising and promotion because it is representing the positive consequences associated to the use of the product. (Gutman, 1982)

##### ***Value and positive consequences associated with the product***

The respondents of the interviews were asked to tell about their preference related to different value attributes related to our product. The results for Denmark represent following meanings:

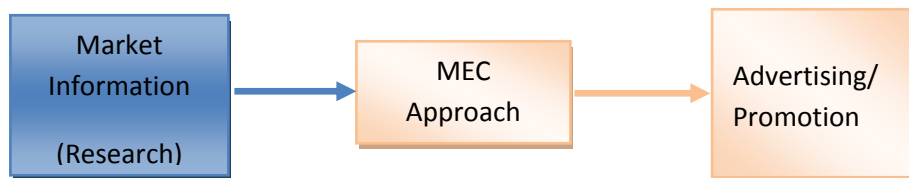
*Denmark:*

As it's also shown in empirical data findings that the majority of respondents (61%) replied that in ease of use is the most valuable feature for them in our product. Secondly 46% of them mentioned that the light weight of the product would be of great value for them. Out of 100 respondents 43 said that reliability is also very important. Now by this data we can clearly see that majority of the respondents are looking for ease of use in the product.

### 6.4.2 MEC Approach

MEC (Means Ends Chain) is used for product development but often it's used in making advertising strategy as well. (Søndergaard, 2005) Here we have selected it for both purposes but in this segment we will analyze the data to see its advertising part.

MEC approach says that product may be described in terms of its attributes but the real meaning of the product to consumers lie in the value they offer. (Søndergaard, 2005) MEC approach gives us a structure where we can collect direct market information, in this case it was through interviews, and use it through MEC approach to define and devise advertising and promotion strategy.



MEC Approach (adopted for Advertising/Promotion)

As shown by the data that majority of the respondents replied that ease of use is most important feature for them therefore according to MEC approach the most important value our product will offer to the customers of Denmark will be ease of use. With the help of MEC theory the company can devise its promotion and advertising by focusing more on ease of use in it. It will help the company to attract the customers by exploiting the hierarchal cognitive structure already existing in the minds of our customers (Mort and Rose, 2004) and associating them with our product. (Mort and Rose, 2004)

Ratchford (1987) says that utilitarian products are consumed mainly due to their functional or practical benefits, so motivation is instrumental here. Examples he gave about the functional benefits are such as problem avoidance, problem removal, incomplete satisfaction or normal depletion. This point again confirms that targeting customers by showing functional benefits can attract a good response rate. Usually promotional campaigns focus on 1 main attribute and few secondly attributes of the product to attract customers. The data is indicating that light

weight and reliability can be used as secondary attributes for this product to attract the customers.

## **6.5 Place**

For place we would be analyzing the data collected by interview with the owner of Widforss Industries, Mr. Gunnar Widforss. As shown in the empirical data findings section the short, non-structured interview was basically about company's business plan and investment or partnership strategies.

### **6.5.1 Presentation of Company's Approach**

While telling about the future plans the owner mentioned that based on the feedback of the survey he is planning to finalize the product design with the help of a local product realization centre. Regarding his plans for expansion he told that he has applied for the Swedish patents and he will be looking forward to enter Denmark as well because the results are very encouraging as compared to other markets. Regarding investment or partnerships he mentioned that he is open to different choices and one out of them was collaboration with an international Swedish bicycle company named Thule. Another option according to him was to license the product to a third party who can make and distribute it and his company can retain the marketing function. In short the owner of the company is not in favor of in-house production.

### ***Building the Network***

#### *Denmark:*

The results of the survey show that there can be a significant demand for the product in Denmark therefore the company can plan a strategy to enter the market. The entry strategy also requires sales channels and distribution setup. Based on the interview of Mr. Gunnar (owner of the company) following is the analysis for network building and its importance.

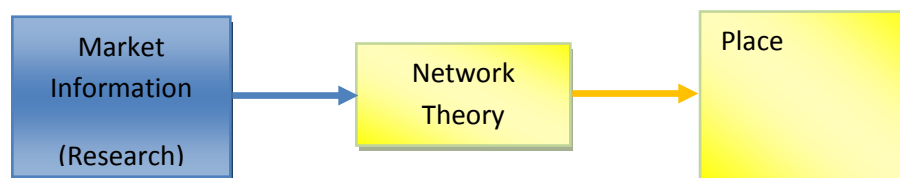
### **6.5.2 Network Theory**

Resources are required for any foreign market operation. These operations are either controlled by the firm itself or by other actors in the network. (Johanson & Mattsson, 1988) The company currently needs investment resources and also it still needs to develop the network.

For example they need the decision regarding partnership is not yet made. As Michael Porter suggests in his competitive advantage theory that firm should only do the thing they are best in and they should outsource the remaining processes to their network. (Michael Porter, 2008)

Firms need both physical and knowledge resources for their operations. (Chetty and Campbell-Hunt, 2003) Widforss Industries currently needs more of physical resources because in knowledge resources the company is very rich in terms of the innovative idea and its execution.

In this condition company has two options according to the owner of the company. First is that it can join hands with the potential company which manufactures and sell bicycles and internationally and another could be outsourcing of manufacturing and distribution process to licensee and keeping the marketing and promotion function within the company.



Network Theory (adopted for Place/Distribution)

The market information and data collected by research are main component of the conceptual framework and our study. The information applied in this model was not only market but from the company as well. The network theory put its emphasis on having strong and reliable networks. It shows that strong network helps in the success of internationalization of the firm. So having a big international player as a partner would help the company to expand in other markets as well.

Going with the international bicycle company seems to have more benefits as it can provide infrastructure to enter in more markets with less investment. But on the other hand this limits the profits of the company and there is a chance that the company can use this product on its own in the markets where Widforss Industries does not have a patent. While the other option

provides more of a control to the company at least in having the brand name under the property of the company and also a strong control over patent.

## 7 Conclusions

We have made an effort in this paper to offer a mechanism which uses market research as its major input and different theories as process guidelines to exploit international opportunities efficiently for innovative SMEs. We have gone through three phases. First, we defined each theory or concept that we are using and explained how they contribute to successful internationalization of SMEs especially in early internationalization stages. Then at second step we built up a graphical representation of our theoretical model named as International SME Model of Innovation Exploitation (**ISMIE**). In the last step we have implemented our suggested model to our case study by using empirical findings that we collected through conducting market survey in three countries: Denmark, Italy and France. The role of market research has been presented as a vital component in process of SMEs internationalization in our research.

We presented and analyzed reliable theories that establish a noticeable relationship with the innovation exploitation for SMEs, international entrepreneurship and market research. Innovation is central to entrepreneurship and first step in the process. The next step is to select the target market where to exploit the opportunity. Uppsala Model coupled with entrepreneurship theory can be very useful in analyzing a market situation especially when the firm is in early internationalization stage. After the selection of the target market, now it's the time to formulate an optimum market entry strategy. There are four basic pillars of marketing mix that needs to be considered almost in all internationalization cases namely, product, place, price and promotion. In our special case, those 4P's themselves were not sufficient to determine a competent marketing strategy. We took the help of different valuable theories directly relevant to our topic to analyze the market information and generate a successful marketing strategy with regards to the 4P's. As innovative product was our focus therefore, product section within marketing mix stands as most prominent factor. MEC theory for new product development and Kano model of customer satisfaction was selected for analysis within product. MEC theory is very well recognized for market oriented product development and Kano model of customer satisfaction is well known for providing insights on consumer's preference. This model offers a very effective framework to create product differentiation.

Whereas, skimming Vs penetration model for selecting successful marketing strategy was best suited in this situation, this approach is particularly used when entering into a foreign market. Network theory has its fame in internationalization of SMEs for building relationships within business networks of foreign markets and sharing resources like distribution channels with them.

To test the ISMEI model of Analysis in its applicability and validity, we applied it towards the Swedish small firm, Gunnar Widforss industries. The discussion proved that all the relationships and theories presented in the model could be regarded as being important for early internationalization of SMEs. Therefore we propose that the model can be used by small and medium firms to exploit internationalization opportunities especially in their early internationalization stage. It may also help entrepreneurial firms to get an overview that how to use market research to base their major business decision. However, we have realized that structure of survey has some shortcomings which should be improved in further studies and locals from respective markets should be hired as surveyors to avoid communication hindrance that we faced. How this study has valuable practical information for Widforss industries but ISMEI model can be considered as major outcome to this research.

Market trends of all three countries; Denmark, Italy and France have been tested against different variables including frequency of use of bicycles, consumer's compatibility with the use of product, Competition Products, innovation adaptation and likeliness of innovative product. Then trends shown in these categories have been discussed by following explanation building concept. In connection with our discussion in Uppsala model and implications of I.E (International Entrepreneurship) theory, we reached the decision that at this stage, Widforss industries should select only Denmark out of the surveyed markets. After having some experiential knowledge and success firm could move towards France followed by Italy.

Further analysis has been performed to determine optimum marketing mix. Price comes in first in our model and we compared two strategies; skimming and penetration to choose which one to adopt. Firm objective is to diffuse or penetrate the innovation into Danish. Consumers who were interviewed showed price sensitivity of the market, they are not ready to pay a premium

price for this product. Moreover, our target market is constantly rapidly growing economy where penetration strategy is usually suitable.

Regarding second P of marketing mix, Promotion and advertising, we used MEC (Means End Chain) Approach. As part of our theoretical frame work this theory was also focusing on market information and customer feedback. Different features of the product were asked for their importance by our respondents. With the help of customers' feedback we were able to determine that most important thing for Danish customers was "ease of use" feature and this can help the company in determining the promotion and advertising campaign's focal point.

Referring back to our developed model in conceptual framework the promotion and advertising component of the model also shows the importance of market research in making promotion strategy decisions. Thus it approves the validity of conceptual framework's consistency with its objective.

When it comes to Analysis with respect to Kano model we did not have specific structure of consumer feedback that can directly help us putting different product features into three categories proposed by this model. We have used an overall ranking of different product features and our own understanding that we got through face to face interactions. Analysis showed that consumers were expecting ease of use and light weight as satisfying features. Whereas, reliability stands as assumed or must feature. Portability and some fixture that should facilitate the hanging of number extra number plate on vehicle are identified as delighted features. While invisibility and attractive design were not considered as significant features.

The forth part of marketing mix strategy, place, was analysed with the help of network theory. Our survey was mainly focused towards customers and for analysis related to distribution/place strategy we conducted an interview with the owner of company. Regarding the entry decision the owner want to enter in Danish market first. There are two main options for the company for its distribution/place strategy. One can be to have a license system where they provide license to a big bicycle company and just earn revenue from that, the company can help the product expand at a high speed in foreign markets and will use their investment resources and current infrastructure. Other option is to use a supplier to produce and distribute the product

and retain the marketing function. As the network theory suggests that having a strong partner while entering in new international markets helps the internationalization process and increases its speed. It can be safely concluded that the bicycle company seems to be the best option.

Concerning the research questions of this study, we think that we have answered them sufficiently. We have clearly shown that which market Widforss industries should enter and how. We have suggested the marketing strategy that Widforss should follow into new foreign market. We have also proposed a practical theoretical framework which innovative SMEs can follow to exploit internationalization opportunities in early internationalization.

In Summary, we have made a significant and creative contribution to the field of study through our developed model which we named as International SME Model of Innovation Exploitation (**ISMIE**). This model is in accordance with the standard approaches and theories in this research area. Whereas, the practical contribution for our case firm named as Widforss industries is also very evident.

## 8 Recommendations

Our recommendations have two aspects; first is theoretical portion for researchers and entrepreneurs and second is practical part for our case company (Widforss).

### 8.1.1 Theoretical Aspect

We propose that our method of analysis (**ISMEI**) is quite useful for SMEs International in general and in specific for those innovative SMEs or entrepreneurs who are in early stage of internationalization. Further empirical studies based on our model can provide with conformity that if it is equally useful for bit internationally matured firms.

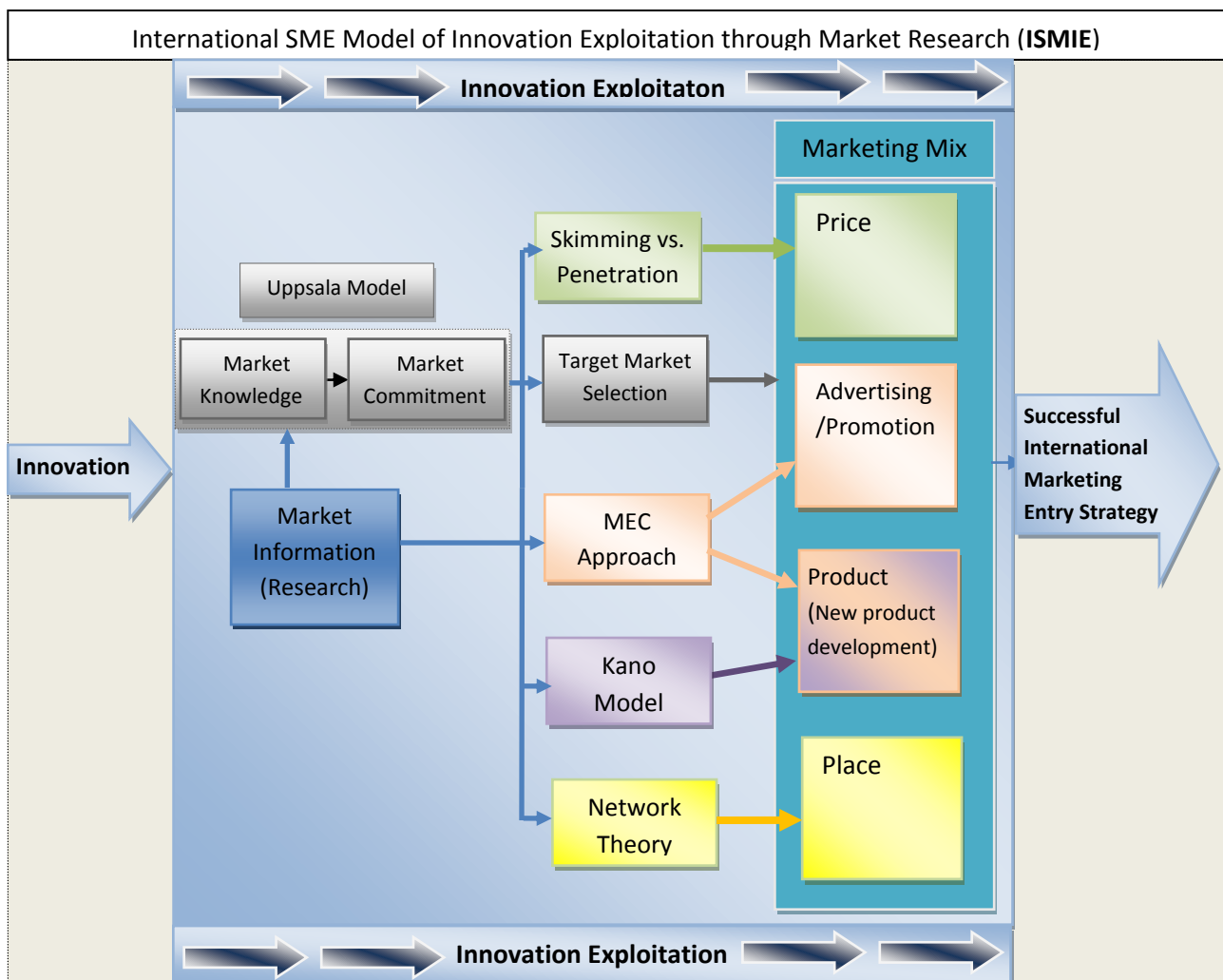


Fig 4.1. International SME Model of Innovation Exploitation through Market Research (ISMIE)

Another theoretical stance that we want to infer from our study is that market research should be utilized by researchers of I.E theory as innovation exploitation and risk reduction tool. The graphical representation of this implication is as below;



Figure: PIE Model (Created by Authors)

International entrepreneurship approach deals with two major factors: Innovation and Risk. For the successful execution it is important to exploit innovation and reduce risk. Market research helps to take calculated risk and deal with innovation proactively. We would name it Proactive International Entrepreneurship model (PIE).

### 8.1.2 Practical Aspect

Recommendations for our case company are as described below

#### Target Market Selection

At this early stage Widforss should enter into Danish market first which has better product demand. Moreover, it is located on less psychic distance from our Swedish firm. After getting experiential market knowledge and success, company can enhance its operations or exports to France and then Italy subsequently.

## **Price**

While Looking at various factors as discussed in analysis, trend is very clear that Widfors should follow penetration strategy. Although we do not want to give an exact figure because it depends on lots of other factors such as cost of production, distribution and patent: which are not exactly known at this stage. Obviously our firm cannot afford to give away profits so it should charge the price in a way which generates some profit also. But it should be not aggressive when it comes to profit taking because aggressive pricing will not serve the sole objective of the firm which is to attain long term growth. Price should be in affordable and attractive range for everyone not just for a specific income bases segment.

We suggest that researchers and entrepreneurs may follow Skimming Vs penetration model for analysis to produce an effective pricing strategy.

## **Promotion**

With the help of MEC theory analysis we made this conclusion that the value “ease of use” can be exploited in Denmark as majority of respondents mentioned that it’s the feature they like most in our product. While devising a promotion strategy, where a company needs to decide many tactical parts related to ads placement and spending of advertising budget, they also need to decide most importantly their strategy of targeting customers and relating the product to target customers with some functional benefit or emotional/motivational association.

Since we are doing it currently on a very primary level therefore we can recommend that the company can base their market campaign on “ease of use” feature. They can further relate it to emotional feelings with a mixture of functionality to attract customers effectively.

## **Product**

Reliability is must be or assumed product features which cannot be compromised or traded-off. The features that are highly expected by the consumers are: Ease of use and light weight. It can enhance the satisfaction level of consumers, so at least one of them is highly recommended. Portability and some fixture that should facilitate the hanging of number extra number plate on

vehicle are identified as delighted features. Again at least one of them is highly recommended to make customers more than satisfied. But care should be in taken in promotion strategy so these delighted features may not fall down into expected or assumed features.

Kano model of customer satisfaction is recommended to be used in product development strategy but more scientific is required.

## **Place**

The data indicates two main options of building a distribution channel. The collaboration with the bicycle company does not seem to be an optimum solution for full exploitation of innovation. If the company collaborate with a supplier for production and keep the marketing function of the product then it can have big share in profit and better control over patents. We would recommend the company to first go independently and create demand in the market and in the future it can give the company a better position to negotiate even in a better way for the collaboration with bicycle companies.

## 9 Limitations of the Study

We have conducted this research with a perspective of making a contribution towards under researched area, internationalization of SMEs. Although this research is a case study of one Swedish company “Widforss Industries” and the project faces the limitation that it is not reliable to generalize the conclusions of a single case study. But as we conducted the survey in three different markets which gives this research more worth. The goal of this study was to establish the parameters which can help us understand the basic factors needs to be considered for any SME which plans to make market entry decision and strategy in different countries.

Another limitation was lack of set practices and established theories in the subject area. Since the topic is still open for research and there are still disagreements on the basic definitions of topic. We have tried to take different theories from relevant and some related literature and adopted them according to our requirements. The conceptual framework is constructed by combining common parts, joining required parts and deleting irrelevant parts of many different theories.

The scope of the study was very wide as compared to the objective, which was focused more on one company. The scope was to determine parameters for innovative SMEs for their internationalization. This was achieved by generalizing the conclusions on a wider scale which can not be hundred percent reliable but still it can provide the future researcher a strong base to start.

Despite the limitations, the project has made reasonable contributions to the development of SME’s internationalization theories (especially at the early stages of internationalization).

## **10 Future Research**

This study had a focus on the role of market research in internationalization of innovative SMEs. The study has shown that by conducting market research SMEs can reduce their risk and instead of just jumping into a market they can properly define their entry strategy with the help of market information. They can also choose that which market is best to enter and which should be left for future.

Today the world is facing a big economical crisis and many people are referring to SMEs as the survivors of world economy. This topic is of a huge importance with relevance to the current crisis. Due to limited resources the study was conducted on a small level. If provided with resources the authors would like to continue the study on European level with different countries to further develop the theoretical model and give it a more standardized shape.

In the same company the research can be continued with expanding the size of sample and focusing on the next step of the internationalization stage by moving from pre-internationalization to internationalization and market entry strategy with more specific tactical details.

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## 1 APPENDIX A: QUESTIONNAIRE DENMARK(for semi structured interviews)

1. Do you or any of your family members use bicycle?

- Yes
- No

2. If yes, Number of bicycles at home?

3. Do you have car or some other vehicle?

- Yes
- No

4. Do you (or your family member) use vehicles to transport bicycle?

- Yes
- No
- Don't have to transport it anywhere

5. Does your vehicle have tow-bar? (A hook to attach other things, tools with the vehicle)

- Yes
- No

6. If you carry it on your vehicle, then how you carry it (what kind of device or instrument you use to attach your bicycle with the vehicle)?

- Traditional V shape
- On the Roof
- Other (please specify)\_\_\_\_\_

7. What specific problems do you face in carrying/transporting your bicycle through your current arrangements?

- Difficulty in Storage
- Difficulty in Finding
- Not Reliable
- Difficulty in Installation
- Any other (Please specify)\_\_\_\_\_
- Don't have any problem

8. If you find a device which is permanently fixed with bicycle, you just have to lift your bicycle and lock it with the tow-bar, would you like this idea?

- Yes

No

**Device Design:**

This product is in design stage so there is no final version yet. We are trying it to keep it very small, light weight and solid. The one shown in the image is just an example. Please answer the questions about design on the **back side of the page**.

9. Do you like its design (Prototype Example)?

- Yes
- No

10. What do you suggest about the design of this device? (Any changes or improvements)

11. What features would be most important for you out of following?

- Light Weight
- Invisibility
- Reliability
- Low Price
- Ease of use
- Attractive design
- other (please specify) \_\_\_\_\_

12. What Price would you like to pay for it? (Maximum, Minimum)

13. How would rank our solution in terms of usefulness and functionality? (Rank between 1 to 5, like 1 for minimum and 5 for maximum)

14. How often you buy innovative products in the market?

- |       |           |            |            |        |
|-------|-----------|------------|------------|--------|
| Never | Few Times | Some Times | Frequently | Always |
| 1     | 2         | 3          | 4          | 5      |

15. If you like to buy innovative products, are you ready to pay a premium price for it?

- Yes
- No

16. Any other comments/suggestions?

**Personal Information:** (Your personal information will be kept confidential and will not be disclosed to anyone)

Name: (optional) \_\_\_\_\_ Age: \_\_\_\_\_

Gender: \_\_\_\_\_ No. of children (if any): \_\_\_\_\_

Profession: (optional) \_\_\_\_\_ Income (optional) \_\_\_\_\_

Email: (optional) \_\_\_\_\_ **Thank you!!!**

## 2 APPENDIX B: QUESTIONNAIRE ITALY & FRANCE

1. Do you or any of your family members use bicycle?

- Yes
- No

2. If yes, Number of bicycles at home?

3. Do you have car or some other vehicle?

- Yes
- No

4. Do you (or your family member) use vehicles to transport bicycle?

- Yes
- No
- Don't have to transport it anywhere

5. Does your vehicle have tow-bar? (A hook to attach other things, tools with the vehicle)

- Yes
- No

6. If you carry it on your vehicle, then how you carry it (what kind of device or instrument you use to attach your bicycle with the vehicle)?

- Traditional V shape
- On the Roof
- Other (please specify)\_\_\_\_\_

7. What specific problems do you face in carrying/transporting your bicycle through your current arrangements?

- Difficulty in Storage
- Difficulty in Finding
- Not Reliable
- Difficulty in Installation
- Any other (Please specify)\_\_\_\_\_
- Don't have any problem

8. If you find a device which is permanently fixed with bicycle, you just have to lift your bicycle and lock it with the tow-bar, would you like this idea?

- Yes

No

**Device Design:**

This product is in design stage so there is no final version yet. We are trying it to keep it very small, light weight and solid. The one shown in the image is just an example. Please answer the questions about design on the **back side of the page**.

9. Do you like its design (Prototype Example)?

- Yes
- No

10. What do you suggest about the design of this device? (Any changes or improvements)

11. What features would be most important for you out of following?

- Light Weight
- Invisibility
- Reliability
- Low Price
- Ease of use
- Attractive design
- other (please specify) \_\_\_\_\_

12. What Price would you like to pay for it? (Maximum, Minimum)

13. How would rank our solution in terms of usefulness and functionality? (Rank between 1 to 5, like 1 for minimum and 5 for maximum)

14. How often you buy innovative products in the market?

- |       |           |            |            |        |
|-------|-----------|------------|------------|--------|
| Never | Few Times | Some Times | Frequently | Always |
| 1     | 2         | 3          | 4          | 5      |

15. If you like to buy innovative products, are you ready to pay a premium price for it?

- Yes
- May Be
- No

16. Any other comments/suggestions?

**Personal Information:** (Your personal information will be kept confidential and will not be disclosed to anyone)

Name: (optional) \_\_\_\_\_ Age: \_\_\_\_\_

Gender: \_\_\_\_\_ No. of children (if any): \_\_\_\_\_

Profession: (optional) \_\_\_\_\_ Income (optional) \_\_\_\_\_

Email: (optional) \_\_\_\_\_