External factors impacting firms marketing strategies
- A study of Swedish clean-tech firms

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Abstract

It is said that eco innovation is the future of Europe’s competitiveness and by that Swedish companies face an exciting opportunity within the field of clean tech. This industry is expected to continue growing worldwide but Swedish companies still have a low export rate even though they have great potential due to their advanced technology. The purpose of this paper is to study the development of firms marketing strategies regarding product-market scope and differentiation and the impact of external conditions. The study will concentrate on the development of Swedish clean-tech firm’s marketing strategies in the U.S.

How the perception of competition is impacting entrant firms’ market strategies has been scrutinized with help from a model developed by the authors based on perception of barriers and incumbent’s market strategies.

The findings derived from three case companies claim that there is a relationship between the perception of barriers and incumbent’s market strategies on entrant firms’ market strategy. This implies that relying on advanced technology is not enough to become successful in new markets and that a successful market strategy is dependent on more than the product itself. The entrant firm must consider its situation and its options with help from their knowledge about barriers and incumbent’s market strategies.

Key words: Strategy, clean tech, barriers, product/market scope
Preface

This master thesis in marketing is written as a final examination assignment within the one-year master program in marketing at the School of Business and Economics, Linnaeus University, Växjö, 2010.

The authors would like to give a special thanks to the persons involved at the case companies, Mr. Tony Landh at Absolent AB, Mr. Mikael Johansson at Calesco Foil and Mr. Lars af Klintberg at Dustcontrol AB. Without their participation we could never have collected all the information necessary to complete this thesis and we are grateful that they shared their time and knowledge. We would also like to express our gratitude to our tutor Mr. Anders Pehrsson who has guided us during our writing process and who has given us advice as well as constructive criticism. Furthermore we would also like to thank our opponents who have given us valuable comments and suggestions on how to make our paper better.

Thank you all.

Linnaeus University, Växjö
School of Business and Economics
June 2010

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Therése Carlbrant                Mattias Hedin
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1 Introduction

In this chapter a background to the subject will be provided together with an explanation on why it is so important to gain knowledge within this field. This will be followed by a problem analysis where the most resent theories are discussed which ends up in a research question and purpose.

1.1 Background

"If we did not take action to solve this crisis, it could indeed threaten the future of human civilization. That sounds shrill. It sounds hard to accept. I believe it's deadly accurate. But again, we can solve it".

(Al Gore speaking about the environmental crisis on CNN, Larry King Live, June 13, 2006 found in Katovsky, 2007)

In 2006 the climate change was greatly acknowledged among politicians, in media and among the public. The economist Sir Nicholas Stern published "The Economics of Climate Change – the Stern Review" for the British Government and the Nobel peace prize winner, Al Gore (The Nobel Peace Prize, 2007) released his documentary "An inconvenient truth" in which he described global warming and its effects. (Svenska Dagbladet, 2006)

As the global climate threat increases so does the interest of environmental innovations. Environmental Technology Action Plan (ETAP) states; "Eco innovation is crucial to the economic competitiveness of Europe and our future well being. Eco-friendly technologies are good for business, reduce pressure on the environment and help create new jobs." (ETAP, 2010). Further on ETAP define eco technologies as "those where their use is less environmentally harmful than relevant alternatives" (ETAP, 2010). There seems to exist different names for these technologies; eco innovations, (ETAP, 2010) and clean tech (Swentec, 2010a). In the following we will use the definition provided by ETAP but refer to it as CleanTech as a direct translation of the Swedish word "miljöteknik" (Swentec, 2010a).

Clean Technology (CleanTech) is a growing industry. The Organisation for Economic Co-operation and Development (OECD) estimates the global market for CleanTech to
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be worth 6230 billion SEK in 2010 (CleanTech of Sweden, 2010). Competition in this industry is global and companies from all over the world are facing strategic challenges and barriers when trying to gain and sustain market shares in this growing world market.

Sweden has an estimated number of 3,500 companies active in the cleantech industry making annual revenues of a total 112 billion SEK. A quarter of their sales are due to exports, which have increased with 75% during the years 2003-2006 (Miljöforskning, 2006). However, cleantech products have historically constituted only 1-2% of the Swedish exports (Swentec, 2010b).

The largest market for CleanTech products is in the U.S. where CleanTech has sales of total 480 billion SEK. What stimulates the growth is the growing political concern for the environment, rising energy prices and a greater awareness for the environment among people in general. It is mostly bigger companies who export to the U.S but the opportunity is there to grasp even for smaller actors. There is a growing need for cleantech products in the U.S and Swedish companies have a technological competitive advantage (Swedish Trade Council, 2010).

As you can see Sweden as a country together with Swedish companies are challenged with an exciting opportunity to increase both growth and export. Competition within the field of cleantech is global and also becoming more dynamic and intensive, a way to increase the possibility for Swedish companies to succeed in this market and to grasp this opportunity is to gain knowledge about possible market strategies.

1.2 Problem analysis

In 2008 the export rate increased to 2.8% and in 2009 it kept rising to 3.2% (Swentec, 2010b). The export rate is increasing however it is still viewed as a rather low export rate. The Swedish government has earmarked 530 million SEK for environmental projects in order to facilitate the industry further (The Swedish Government, 2009a) of which 30 million SEK to improve the export (The Swedish Government, 2009b) but in order to increase the export more knowledge is needed about corporate strategies of cleantech companies.

According to Pehrsson (2009) there is restricted knowledge about external factors impacting firm strategies. There are only few researches who have studied the effect of
barriers on strategy for entrant firms (Robinson & McDougall, 2001; Pehrsson, 2001; Han et al. 2001) and the competitors are not viewed as an important source of barrier (Pehrsson, 2009). However the market strategies of incumbents are likely to affect the entrants' strategy indirectly (Pehrsson 2009). What impact do the barriers of entry have and how do the marketing strategies of incumbents affect the entrant firm’s strategies? Pehrsson (2009) proposes a model in which he describes the effects of barriers and incumbents market strategies on entrant firm’s market strategy. In this model, a firm’s market strategy is expected to be affected by barriers to entry and shows that the market strategies of competitors indirectly affect the barriers and thereby also the entrant firm’s strategy.

Entry barriers are defined as the obstacles a company meets when they are trying to establish or expand in the market (Bain, 1956; Porter, 1980). According to Shephard (1979) there are two types of barriers that a company has to be concerned about, exogenous and endogenous barriers. Exogenous barriers are embedded in the market, which established actors do not control (Gable et al., 1995), like governmental policies (Delmas et al., 2007; Russo, 2001), access to distribution channels (Gable et al., 1995; Han et al., 2001) and the incumbents’ absolute or variable cost advantages (Gable et al., 1995; Han et al., 2001). Endogenous barriers are created by the incumbent’s reactions to the new entrance (Gable et al., 1995) such as price competition (Gable et al., 1995; Simon, 2005) and level of sales promotion activities (Gable et al., 1995; Williamson, 1963). The barriers of an industry do not only affect conditions for potential new entrance. Incumbents can create new and various barriers in order to create a competitive advantage against both incumbents and to elevate the barriers for a new entrance (Caves & Porter 1977).

According to Pehrsson (2009) researches have previously studied the affect of barriers on two components of strategy; product market/scope and product differentiation. Studies have shown that the impact of barriers are important when the product market scope is narrow (Robinson & McDougall 2001) and when capital is needed, differentiation is stimulated (Han et al., 2001; Salavou et al., 2004). On this basis, Pehrsson (2009) argues that competitors is a “main source of barriers” (Pehrsson, 2009 p. 70) and his model therefore states that there are indirect effects between the market strategies of incumbents and barriers.
Pehrsson (2009) suggests that further empirical research should be conducted within this area. He also suggests that research should be conducted on how the barriers to entry are perceived by management. Human judgments play a major role in formulating strategies since the findings need to be interpreted (Barnes, 1984) and therefore these perceptions are of interest to study.

1.2.1 Research question

*How does the perception of competition affect the development of a firm’s international marketing strategy?*

1.2.2 Purpose

The purpose of this paper is to study the development of firms marketing strategies regarding product-market scope and differentiation and the impact of external conditions. The study will concentrate on the development of Swedish clean-tech firm’s marketing strategies in the U.S.

1.2.3 Delimitations

The research is delimited to focus on barriers created by companies and governmental authorities hence no consideration will be taken to potential barriers of cultural or lingual character. Furthermore this research deals with perceptions and not objective reality.
2 Theoretical framework

In this chapter the theoretical framework for the thesis is presented. Barriers, product-market scope and differentiation strategies are presented. A model for analysis is developed and followed by a discussion concerning the impact of perceived barriers and incumbents market strategies on an entrant firm’s market strategy. Within the discussion two propositions for answering the research question is presented.

2.1 Barriers

Barriers are defined as the obstacles a company meets when trying to establish or expand in the market (Bain, 1956; Porter, 1980) and within strategic thinking and practice the ability to create barriers towards competition have always been of importance (D’Aveni, 1994; Porter, 1985). Creating and sustaining barriers is a way to make it difficult for the competing firms to be successful and it is a part of competitive strategy (Boddewyn & Brewer, 1994). Barriers do not only apply on firms starting from zero having the ambition to make an entrance into a market place. The barriers of an industry apply just as well to going firms with the ambition to expand to new markets or segments (Caves & Porter, 1977). Barriers can be structured into two different categories, exogenous and endogenous.

<table>
<thead>
<tr>
<th>Exogenous barriers</th>
<th>Endogenous barriers</th>
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<tbody>
<tr>
<td><strong>Cost advantage of incumbents</strong> (Bain, 1956; Porter, 1980; Yip, 1982a)</td>
<td>Incumbents’ increased advertising (Harrigan, 1981; Gable et al. 1995)</td>
</tr>
<tr>
<td><strong>Product differentiation of incumbents</strong> (Bain, 1956; Porter, 1980)</td>
<td>Incumbents’ increased sales promotion (Gable et al., 1995)</td>
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<tr>
<td><strong>Capital requirements</strong> (Bain, 1956; Porter, 1980)</td>
<td>Incumbents’ price competition (Gable et al., 1995)</td>
</tr>
<tr>
<td><strong>Access to distribution channels</strong> (Caves &amp; Porter, 1977)</td>
<td>Incumbents’ reactions in general (Gable et al., 1995; Karakaya &amp; Stahl, 1989)</td>
</tr>
<tr>
<td><strong>Government policies</strong> (Beatty et al., 1985; Porter, 1980)</td>
<td></td>
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<tr>
<td><strong>Customer switching cost</strong> (McFarlan, 1984; Porter, 1980)</td>
<td></td>
</tr>
<tr>
<td><strong>Number of competitors</strong> (Harrigan, 1981)</td>
<td></td>
</tr>
<tr>
<td><strong>Research and development or patents</strong> (Harrigan, 1981; Schmalensee, 1983)</td>
<td></td>
</tr>
<tr>
<td><strong>Seller concentration</strong> (Bain, 1956; Crawford, 1975; Mann, 1966)</td>
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Table 2.1: Exogenous and endogenous barriers
2.1.1 Exogenous barriers

Exogenous barriers consist of conditions that established actors do not control and they can be considered as rooted in the underlying market conditions and single companies within the industry cannot control or affect these types of barriers (Shepherd, 1979). Porter (1980) developed a framework for firms to analyze industries and its competition in order to develop strategies for entrance. He listed six major exogenous barriers; cost advantage of incumbents, product differentiation of incumbents, capital requirements, access to distribution channels, government policies and finally customer switching cost.

Cost advantages of incumbents is generally considered one of the most important entry barrier due to the advantages from economics of scale and learning curve effects hold by established firms (Bain, 1956; Porter, 1980; Yip, 1982a).

Product differentiation of incumbents is an advantage for the established firms towards new entrance since an earned brand recognition is established and a grounded customer loyalty have been created from advertising, being first in the market, customer service or product differences (Bain, 1956; Porter, 1980).

Capital requirements for entering a market creates a barrier for potential entrant firms since large investments will have to be made in order to compete in or enter a market. This barrier will be higher in capital-intensive industries (Bain, 1956; Porter, 1980).

Customer switching cost is a barrier since it can prevent a buyer from switching supplier and this makes it harder for new actors to gain customers. Changes in technology can both raise and lower this barrier (McFarlan, 1984; Porter, 1980). This barrier is considered to be far greater in industrial goods markets than in consumer goods (Karakaya & Stahl, 1989).

Access to distribution channels can become a barrier for new actors if a first or early market entrant has used an intensive distribution strategy in order to constraint the access to distribution channels for others (Porter, 1980). An example of this can be vertical integration, though it might affect several other barriers as well. Overtakes made by incumbents, integrating backwards or forward, creates a dilemma for newcomers (Caves & Porter, 1977).
Government policies is a barrier due to the requirements of licenses, permits and laws and can limit the number of actors in a market or even prevent firms from entering in the first place (Beatty et al., 1985; Porter, 1980).

Apart from the barriers stated by Porter (1980) there are other barriers presented in the literature;

The number of competitors in a market can be a barrier for new entrant since it affects the profitability in the market. New entrance can be more expected during periods of rising incorporations and less likely during periods when a lot of business failures occur in the market (Harrigan, 1981).

Research and development or patents can be a way for incumbents to prevent entry of new firms. Heavy investments in research and development increases technological scale economies and force the ongoing industry to evolve in a way that would make later attempts to enter the market more ineffective. However, this is usually a short-lived barrier (Harrigan, 1981; Schmalensee, 1983).

A high Seller concentration is likely to reduce new entrance and makes it harder for newcomers to enter the market but if the concentration is low a new entrance will be easier and therefore more likely to appear (Bain, 1956; Crawford, 1975; Mann, 1966).

2.1.2 Endogenous barriers

Endogenous barriers are created and maintained by the established firms (Gable et al 1995) and examples of these types of barriers are promotional activities and pricing strategies. Yip (1982b) explains endogenous barriers as the incumbents’ potential competitive reaction to an entry of an outside firm and Karakaya (2002) speaks in a similar way of these types of barriers as the competitor’s reactions to another company’s competitive actions.

Incumbents increased advertising is a prime example of an endogenous barrier since the incumbents can raise their advertising as a response to a new entrance in order to sustain brand loyalty. By that they also force the entering firm to expand its marketing budget and raise the cost for entrance further (Harrigan, 1981; Gable et al. 1995).

Incumbent’s increased sales promotion is an important reactive strategy towards newcomers because it can enhance the degree of product and service differentiation for
the existing incumbents and provide a way for the existing companies to raise the costs of entry for a potential competitor (Gable et al., 1995).

*Incumbent’s price competition* can make the market unattractive for new entrance since if the price-level goes too low entrance for a new firm becomes less attractive (Gable et al., 1995).

*Incumbent’s reactions in general* affect the firm trying to enter a new market as well. This can be a mixture of different reactions from the incumbents towards a company just about to enter or that recently entered the market (Gable et al., 1995; Karakaya & Stahl, 1989).

## 2.2 Product-market strategy

Vorhies, Morgan & Autry (2009) state that although there are different taxonomies and typologies of product-market strategy focus are on three things; product-market scope, differentiation and cost focus. Porter (1980) defines these as three generic strategies and instead of product-market scope as a whole he discusses focus. Miller (1987) states the main components of strategy to be; product-market scope, product innovation, differentiation and cost. Pehrsson (2009) argues that product innovation and costs are parts of differentiating the product and therefore he combines these. In the following we will discuss differentiation and product-market scope as components of product-market strategy.

### 2.2.1 Differentiation

Identifying customer groups is a main element when developing options of differentiation. Managers will identify groups of customers that requests benefits which are not given by undifferentiated products (Vorhies et. al., 2009). Once the customer or target group is decided, the firm must decide how the company should create a differentiated value for these customers and the position it wants to have in the minds of customers relative to existing competitors. Consumer’s position products constantly in order to simplify their buying decisions and therefore marketers need to plan their positions in order to gain a favorable position. In some cases competitors will go for the same position, thus each firm must find ways to differentiate itself (Kotler et al. 2008). The strategy of differentiation creates defense from competition by creating brand loyalty and making customers less price sensitive, which is favorable
since firms then can provide their products with a higher price than non-differentiated products. The product or service should be perceived as being unique (Porter, 1980) and the target group must be enough in numbers in order to be profitable in that segment (Vorhies et. al., 2009).

There are three steps for firms to go through when creating differentiation and a position; identify differences which provide competitive advantages to build a position on, choose competitive advantages that are “right” and choose an overall strategy of position. Lastly this position must be effectively communicated to the market (Kotler et al., 2008). Differentiation can take on many forms for instance; brand image, technology, customer service or features (Porter, 1980). According to Porter (1980) the ideal situation for firms is to differentiate itself through several dimensions.

By using a differentiation strategy it might be hard to gain a high market share due to the perception of exclusivity. However, more often it implies a trade off with cost position if the activities of creating the strategy are costly. Differentiation activities could require research, materials of high quality, design of products or support to customers (Porter, 1980). Research is particularly important since marketers must understand the needs of their customers and also provide more value than competitors (Kotler et al. 2008).

Porter (1980) states that there are two general risks of using differentiation strategy; failing in reaching and maintaining the strategy and also erosion of the strategic advantage as the industry evolves. Apart from these there is a risk that differences in costs are too big between differentiated firms and competitors holding low costs and thus it might be difficult for differentiators to maintain brand loyalty. There is also a risk that the needs of customers no longer concern the differentiated products. At last there is a risk that imitation products restrict the differentiation perceived by customers (Porter, 1980).

2.2.2 Product-market scope
According to Pehrsson (2007) the product-market scope affects the impact of barriers on firms. He found that a narrow i.e. focused product-market scope negatively affect the performance concerning barriers of customer access. Pehrsson (2007) argues that
the reason for barriers of customer access not to be significant when having a broad strategy is due to the fact that there exists more flexibility in choosing customers.

Robinson & McDougall (2001) studied the impact of three barriers; economies of scale, capital need and product differentiation, on firm performance. They found that the impact of barriers were limited for firms having a broad product-market scope.

**Broad product-market scope**

In order to succeed by having a broad market strategy, Day (1999) suggest investments in building brand names, large-scale facilities and having a broad distribution network. Firms pursuing a broad market strategy are only able to compete by defending their multiple markets against more focused firms and the way of doing so is, according to Vorhies et. al. (2009) firms marketing capabilities. Frei (2008) states that firms with a broad market scope should compete in different segments, i.e. being multifocused, using service models and optimized marketing for every segment. Multifocused firms need to support their different brands by having great market knowledge as well as segmentation and implementation skills.

**Narrow product-market scope**

Porter (1980) state “focus” as one of three generic strategies and states that firms should focus on a particular group of buyers, geographic market or segment of product line, meaning using a product-market scope that is narrow.

By using a focus strategy, firms are able to serve its target more effectively compared to competitors using a broad strategy. In this way, firms can achieve differentiation by meeting the needs of their customers or achieve lower costs. Ideally firms can achieve both. The strategy of focus does not however achieve differentiation or low costs in the market regarded as a whole but it achieves differentiation and low costs regarding its target market (Porter 1980).

A focus strategy, as with differentiation, creates defense against competition due to its position as either maintaining low costs or differentiation or ideally both. This means that this strategy also makes it possible to earn above-average returns. Using a strategy of focus involves trade-offs between sales volume and profitability. It could also mean a trade-off with cost-position in the overall market (Porter, 1980).
As with differentiation strategy there are risks of failing in reaching and maintaining the focus strategy and also erosion of the strategic advantage as the industry evolves. Furthermore as cost differences widens between the focused firm and the competitors using a broad strategy, the cost advantages are eliminated and the differentiation can be lost. Also, differences in wanted products between the focused target and in the overall market are restricted. At last there is a risk that competitors out focus the focused firm by finding submarkets in the focused target (Porter, 1980).

2.3 Analysis model

The model below has been developed by the authors of this thesis as a tool for analysis and indicates the impact of perceived entry barriers and perceived market strategy of incumbents on the market strategy of an entrant firm.

![Analysis model](image)

Previous research indicates that barriers to entry affect market strategy of entrant firm (Delmas et al., 2007; Delmas & Tokat, 2005; Han et al., 2001; Haveman, 1993; Salavou et al., 2004; Schumpeter, 1942; Pehrsson, 2007; Robinson & McDougall, 2001; Russo, 2001). Studies have shown that capital need makes entrant firms more innovative (Han et al., 2001; Salavou et al., 2004). Salavou et al. (2004) studied the impact of various aspects of strategic and competitive positions of small to medium sized companies on innovation. The performed study proved that competition-related characteristics namely industry concentration and entry barriers had a positive effect on innovation (Salavou et al. 2004). This result supports the view of Schumpeter.
According to Schumpeter (1942) high industry concentration and entry barriers encourage innovations due to the fact that it reduces competition as well as it yield higher profits. On the other hand Dasgupta & Stiglitz (1980) argue there is no need for innovativeness unless there is competition. Competition thereby is the driver of innovation efforts (Salavou et al. 2004). Further on Salavou et al. (2004) state that smaller firms are more likely to innovate than larger firms. This is due to their size, which makes it impossible for them to compete by for instance economies of scale and investments in new projects.

Pehrsson (2007) have found that the breadth of a firm’s product/market scope can change the impact of barriers. A too narrow product/ market scope can make it harder to access customers and make it more difficult for the entrant firm whereas a broad product market scope gives more freedom in choosing customers. Robinson and McDougall (2001) have found similar results when examining how the three barriers economics of scale, capital need and product differentiation affected companies with different product/market scope and generally a new entrant benefits from having a broad product/market scope.

Researchers have not only studied the impact of barriers on entrant firms but also on incumbents. Studies have shown that deregulations of governmental policies have caused firms to adjust their product/market scope (Delmas & Tokat, 2005; Haveman, 1993) or differentiate (Delmas et al., 2007; Russo, 2001).

As noted entry barriers directly affect the choice of marketing strategy regarding product-market scope and product differentiation. According to Nadkarni & Barr (2008) there is reason to believe that managers create subjective views of the reality due to bounded rationality, which then drives strategic decisions and actions. Managers would therefore be influenced by their perceptions. The following proposition is therefore formulated:

**Proposition 1**: Perceived barriers to entry affect market strategy of entrant firm (A affects C).

According to Pehrsson (2009), market strategies of incumbents indirectly affect the market strategy of an entrant firm due to interaction with barriers to entry. Exogenous and endogenous barriers are created as a result of competitors in the market. Porter
(1980) states that creating and maintaining barriers is a way for incumbents to prevent outside actors to compete for their customers and deter entrance from newcomers. These barriers are created as a part of the incumbent’s market strategies and are shaped with a purpose (Porter, 1980). The market strategy of entrants has to be adapted to the barriers created by the incumbents (Pehrsson, 2009) leading to competitive advantage (Miller, 1996).

Previous studies indicate that there is a relationship between the market strategies of incumbents and the market strategy of an entrant firm. As with proposition 1 it is plausible that there is a relationship between subjective views of managers and strategic decisions and actions and therefore the following proposition is formulated;

**Proposition 2**: Perceived market strategy of incumbents affects market strategy of entrant firm (B affects C).
3 Method

In this chapter the reader will be guided through the methodological decisions that have been made for concerning the research. Research approach, research method and sample selection is described together with the data collection process and factors that have affected the quality standards of this paper. The reader also gets an insight in how the paper has evolved.

3.1 Research journey
The research process has been far from a straight line. The first challenge was to find a subject that was interesting enough to work with for such a long period. A class in international market strategy had previously been studied where expansion strategies were explored for a Swedish company in the clean tech industry and it was agreed that this field of research was interesting to further study. The process started out by finding background information about the clean tech industry and it was found that it was a growing industry with a lot of potential for Swedish companies, who in general have more advanced technology than foreign competitors. It was also found that Swedish clean tech firms did not have as high export rate as expected. An illustrated timetable for the process writing the thesis is shown below.

<table>
<thead>
<tr>
<th>Week/Phase</th>
<th>w13</th>
<th>w14</th>
<th>w15</th>
<th>w16</th>
<th>w17</th>
<th>w18</th>
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Table 3.1: Research timetable

As seen the research process has been conducted by going back and forth and the different parts have also overlapped.

There were some problems during the journey writing this report, some of them were easy to solve and some of them of a more difficult nature. For instance it was difficult to get in contact with case companies willing to participate in the study. It was also difficult to choose and structure appropriate theories.
3.2 Research approach

In scientific research there are three different approaches; exploratory, descriptive and explanatory research (Yin, 2009).

According to Lundahl & Skärvad (1999) exploratory studies are preparatory studies i.e. studies which prepare the investigator to do the research. According to Saunders, Lewis & Thornhill (2000) exploratory studies are useful when one needs to clarify the understanding of the problem and since it may show that there is no need for the actual research.

The purpose of a descriptive research is to describe different phenomenon’s, events, situations etc. i.e. a descriptive research can describe very different things (Lundahl & Skärvad, 1999). Prior data collection it is important to have a clear picture of what it is that will be studied (Saunders, Lewis & Thornhill, 2000).

Explanatory research aims at answering “why” something is happening and finds causal relationships between different variables. Explanatory research is used in both quantitative and qualitative studies but due to the fact that the word “explanatory” usually makes one think about quantitative studies, qualitative researchers emphasize the importance of gaining insight and understanding. An insight of the problem or the phenomena often makes the researcher able to explain it as well (Lundahl & Skärvad, 1999).

The purpose of this research is stated as; “The purpose of this paper is to study the development of firms marketing strategies regarding product-market scope and differentiation and the impact of external conditions. The study will concentrate on the development of Swedish clean-tech firm’s marketing strategies in the U.S.” Thus, the purpose is mainly descriptive due to the attempt to describe firms marketing strategies and the affect of external conditions. Furthermore, the study is also explanatory since the study tries to make correlations of certain impacts on firms marketing strategies.

There are two different approaches within the research community concerning the relationship between observation and results/theory, namely inductive approach and deductive approach. The deductive approach represents the most common idea about this relationship between theory and practice within social science. The approach is based on that the researcher uses his knowledge together with different theoretical
considerations within the subject in matter. From that the researcher derives or deducts one or several hypothesis that he tests empirically. The theories and hypothesis that has been deducted are put in first hand and controls the data collection process. When a result has been reached that either confirms or declines the hypothesis and theories used for the research will be confirmed or rewritten. When applying an inductive research approach you start of in the other end and form a theory from your empirical findings (Bryman, 2002). For this paper a deductive approach is used and the research question and propositions are formed from existing theories that are tested empirically.

3.3 Research method

There are three types of methods; qualitative, quantitative and mixed methods. Qualitative and quantitative approaches represent different parts on a continuum hence should not be regarded as complete opposites. Studies are merely more or less qualitative or quantitative. A mixed approach use elements of both qualitative and quantitative approaches (Creswell, 2009).

Qualitative research is founded on the belief that "reality is constructed by individuals interacting with their social worlds" (Merriam, 1998 p. 6) and the qualitative research is a way of understanding the meaning which individuals or groups form (Creswell, 2009). Meaning is something that lies within the experiences of people and this meaning is transformed to the perceptions of the investigator (Merriam, 1998). The research process involves questions emerging as the study moves along, data collected in the participant's surroundings and interpretations made by the researcher based on the data (Creswell, 2009). The researcher is the instrument for collecting data and performing analysis. Qualitative research focuses on meaning, process and understanding resulting in a descriptive study. Words and pictures instead of numbers are used to describe the phenomena. It is important to understand the phenomena from the perspective of the participant and not the researcher's (Merriam, 1998). Qualitative approach is appropriate when a deeper understanding of the problem is needed (Yin, 2009).

Quantitative research involves a higher degree of control by the researcher compared to qualitative research and measures number of data instead of focusing on meaning and words (Holme & Solvang, 1997). It examines the relationship between variables and thereby tests theories. The variables are measured using instruments making it possible
Method

to analyze numbered data (Creswell, 2009). The usage of statistical tools is vital in order to obtain high truthfulness in the analysis (Holme & Solvang, 1997).

Researchers using quantitative method test theories deductively, build protection against bias, control data for different explanations and are able to generalize the findings (Creswell, 2009).

The choice between the different approaches depends on the research questions and the purpose of the study (Chisnall, 1997). This study is formed by a research question based on “how” and the purpose of the study is to gain a deeper understanding of how companies form their marketing strategies and what impact external conditions have. The study could not be carried out by using quantitative measures and therefore a qualitative method is appropriate.

3.4 Sample selection

In order to find respondents who where qualified to provide answers to questions in this study a convenience selection when selecting companies has been used. A non-probability sample was made within 35 Swedish clean-tech companies with some sort of registered business activities in the U.S. (Sweden American Chamber of Commerce, www.saccny.org / 2010-04-19). The study has focused on producing companies which is why four firms that were strict service companies were deleted from the original sample. An evaluation selection was made among these remaining companies with the following criteria:

- A Swedish clean-tech company, offering products to protect the environment, acting as independent and making its own strategic decisions.
- Own a subsidiary in the U.S

When the original sample was matched against the above criteria six companies were remaining from the original sample and available to contact.

An initial contact was made through e-mail explaining the purpose of the study and also asking if the company was interested in being interviewed. Companies that did not reply on the first e-mail were later contacted trough phone and asked again to participate in the study. From these 6 companies Dustcontrol AB and Calesco Foil
replied on the first letter and said they would agree on being interviewed. A second approach was made by phone to the remaining companies which resulted in that Absolent AB also agreed to participate in an interview.

3.5 Collection of data

Evidence and data in a case study can come from six different sources: Personal notes, formal written sources, interviews, direct observation, participating observation and physical artifacts (Yin, 2003). In this study two sources of data have been used, documents and interviews.

In most forms of qualitative research, some or even all data are collected through interviews. One of the ways of deciding which type of interview to use is by determining the amount of decried structure (Merriam, 1998). For the interviews conducted in this study a semi-structured technique, which means that the respondents can be asked both about facts and personal opinions, was used. In some situations the researcher can also ask the respondent to formulate their own opinion and ideas about a certain course of events and then use the answers to formulate further questions (Yin, 2003).

The different types of documents that have been used in this research have served as secondary data in order to learn more about each case company and about the industry. The documents used have consisted of a mixture of annual reports and respondent companies web pages. When performing case studies, documents is an applicable source of information (Yin, 2003) and as mentioned it can take many forms.

Three case studies were performed and in each study a personal interview was conducted. An interview guideline, seen in Appendix 1 for Swedish and Appendix 2 for English, was conducted. The questions are motivated and related to existing theories in an operationalization table seen in Appendix 3. In all cases investigated during our study we tried to get hold of respondents with good knowledge of the company history and made sure they were as familiar as possible with questions concerning the companies past strategy decisions since this where crucial to the research. The objective with the interviews is the respondent’s subjective perceptions about what happened and how the company acted strategically when facing various
problems for entry. This means that we will not be searching for an objective truth from our respondents but instead their perceptions.

For the empirical data collection three separate interviews at the local head offices of the three case companies were conducted. The first interview was with Absolent AB at the office in Lidköping where the CEO, Tony Landh was interviewed. At Calesco Foil an interview was conducted at the office in Kolbäck with the Manager of Foil Products, Mikael Johansson. The final interview took place in Norsborg where an interview was conducted with the Nordic Sales Manager at Dustcontrol AB, Lars af Klintberg.

At average two hours or more were spent at each company, where of approximately one hour was set of for a formal interview. We had the benefit of getting guided tours by the managers. This provided us with a better possibility to get to know the companies and their operations and gave us a better understanding than what would have been the case if we had conducted phone interviews instead.

3.6 Analysis of data
There are no clear guidelines for analyzing case study evidence. Methods for analyzing are one of the least developed and most difficult aspects of doing case studies. However there are according to Yin (2009) three general analytic strategies; relying on theoretical propositions, thinking about rival explanations and developing a case description. With the research question and purpose of this study in consideration relying on theoretical propositions will be the most favorable method since a model (see figure 2.1) developed from theoretical findings will be used as a tool for analysis. The results will then be compared to previous findings concerning the theories used for development of the model.

According to Ericksson & Wiederheim-Paul (1999) a case study researcher can analyze data in two ways, within-case analysis and/or cross-case analysis. A within-case analysis should be used when data from one specific case is compared with existing theories. The cross-case analysis should be used if data is collected from more than one case. Another characteristic of the cross-case analysis is that the findings are not only compared to existing theories but also to data from other cases. The data from our findings will be reduced into a within-case analysis and then compared to our
analysis model (Figure: 2.1). Next step will be to compare the different cases to each other in a cross-case analysis. This will provide us with a good basis for presenting our findings and conclusions.

3.7 Quality standards

When determining the quality of a case study report two criteria are used for measurements, validity and reliability (Bryman, 2002) The same mentioned measurements also help the researcher reduce the possibility to answer the research questions wrong (Chisnall, 2007).

3.7.1 Validity

Validity can be said is a measurement on the researchers’ ability to observe, identify or measure what one says that one will measure. There are two types of validity, internal and external. A good internal validity is according to LeCompte & Goetz (1982) a sign that there is a good match between the researchers’ observations and the theoretical concepts that is being developed thanks to the same observations. We have obtained internal validity by relating our questions to our theoretical framework. External validity on the other hand concerns in what range the result can be generalized to other environments or situations. Due to our convenience and evaluation selection the range for our findings possibility to be generalized upon other industries can somewhat be discussed.

3.7.2 Reliability

Reliability can be subdivided into the two categories internal and external. External reliability refers to the probability that the same results could be obtained from other researchers. In other words, could this particular study be replicated by other researchers obtaining the same result? (Bryman, 2002) The stages in our study are well documented and we will include the questionnaire and the interviews we conduct. The interviews will also be recorded and saved. Furthermore, we have all the contact information necessary to contact our respondents saved from our case companies.

Internal reliability concerns us as researchers’ ability to create a mutual understanding for how to interpret what we see and hear (Bryman, 2002). This will be particularly important during our interviews. As we see it, the reliability in our study can be reduced by that our respondents would be more prepared if a second interviewer would
ask the same questions. This means the respondent might remember more or give more thoughtful answers. That could add more dept to the interviews and provide more information about each case to the study for later analysis.

3.7.3 Criticism of sources
The primary data was collected by interviewing three different persons within three various companies. None of the respondents had been working for their company since it was established which have caused them to in some cases speculate about decision-making and the line of thoughts in the past. This is something that should be taken into account. The interviews are also based on the interviewees’ perceptions, which in some cases might be considered a problem however the aim of this research was to study these.
4 Empirical data

Here the three case companies for the study will be described in brief with some background information and basic financial figures. All the empirical findings are presented separately and in more detail in Appendix 4.

4.1 Background concerning the case companies

4.1.1 Absolent AB
Absolent AB is seated in Lidköping and is “one of the world’s leading suppliers of air cleaning equipment for collection of oil mist and oil smoke particles in industrial operations” (Absolent, 2010). Our interview was conducted with the CEO, Tony Landh.

4.1.2 Calesco Foil
Calesco Foil is seated in Kolbäck. Calesco’s business concept is “to develop, manufacture and market thin flexible circuits for resistance heating or electric conducting” (Calesco, 2010). Our interview was conducted with the Manager of Foil Products, Mikael Johansson.

4.1.3 Dustcontrol AB
Dustcontrol AB is seated in Norsborg and produce “mobile and stationary dust extraction systems” (Dustcontrol, 2010). Our interview was conducted with the Nordic Sales Manager, Lars af Klintberg.

4.1.4 Financial information about case companies
The table below provides the most basic financial figures from the three case companies covering the period January – December 2008.

<table>
<thead>
<tr>
<th>FINANCIAL INFORMATION (TSEK)</th>
<th>Absolent AB</th>
<th>Calesco</th>
<th>Dustcontrol AB</th>
</tr>
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<td>200801-200812</td>
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<tr>
<td>Number of employees:</td>
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<td>56</td>
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<tr>
<td>Turnover:</td>
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<td>138 652</td>
<td>130 319</td>
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<tr>
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<td>62.74</td>
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<tr>
<td>Annual result:</td>
<td>10 236</td>
<td>-1 594</td>
<td>6 557</td>
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Table 4.1: Financial information about case companies
5 Data analysis

In the following chapter the empirical findings will be analyzed. First of all the propositions stated will be analyzed within each case in relation to the theoretical framework. The theory used in the analysis is common for all three cases which is why the first case contains more detailed review of theory whereas the other two cases are not as detailed due to repetition. In the end of the chapter a cross-case analysis is made where all three cases are compared in order to find similarities and differences.

5.1 Perceived barriers to entry affect market strategy of entrant firm (A affects C)

The first proposition deals with the conception that perceived entry barriers affect the market strategy of an entrant firm according to the analysis model (see figure 2.1) developed from existing theory.

5.1.1 Within-case Analysis: Absolent AB

Absolent experienced many obstacles when entering the U.S market. According to theory there are at least eight different barriers to entry; cost disadvantages, competitor’s product differentiation, capital need/high investment costs, access to distribution channels, governmental policies, customer switching cost, number of competitors in the market and research and development (Porter, 1980; Harrigan, 1981; Schmalensee, 1983). According to Karakaya (2002) entrant firms usually consider more than one barrier and all barriers are not always considered equal. The CEO of Absolent was asked to grade the barriers on a scale from 1 to 5 on level of difficulty to overcome.

Cost disadvantages is in theory called cost advantages of incumbents and exist due to the advantages from learning curve effects and economies of scale which is maintained by the existing firms (Bain, 1956; Porter, 1980; Yip, 1982). This was a big barrier for Absolent in the beginning according to Mr. Landh and he states;

"In the beginning it was very difficult. We are more expensive than others”

(CEO, Tony Landh, Absolent, 2010-05-04)
It seems as if the company still has the same prices but Mr. Landh argues that nowadays the company does not have any problem with this due to the fact that the brand is now familiar to the customers and the price level is set.

Another big barrier for Absolent was *competitor’s product differentiation*. In theory this is an advantage for existing firms since they have been able to gain brand recognition and customer loyalty during the years they have been established (Bain, 1956; Porter, 1980). Competitors were a great threat to the company in the early years and it had problem with gaining credibility among customers since they were

“The new kid on the block”

(CEO, Tony Landh, Absolent AB, 2010-05-04)

However, the company managed to solve this problem by offering customers free trial periods with their products which helped them to convince the customers that they could deliver what they promised, hence they were affected by this barrier. Nowadays when they are established, competitor’s product differentiation is not viewed as much of a barrier to the company.

*Capital need/high investment costs* also called capital requirements is according to theory often needed when entering a new market especially in capital-intensive industries (Bain, 1956; Porter, 1980). However, Absolent did not experience this as an obstacle due to their choice of using distributors and outsourced production i.e. a less capital intensive establishment.

*Access to distribution channels* was not perceived as a barrier for Absolent which Mr. Landh explained was due to it not being difficult for them to find people willing to sell their products, however finding the right sales people was more of a problem. According to theory it might be difficult to get access to these channels if other actors have constraint them (Porter, 1980) but this did not seem to be the case for Absolent.

*Governmental policies* might be a barrier for entrant firms if there are certain requirements of licenses or certifications needed for entering the market (Beatty et al., 1985; Porter, 1980). According to Mr. Landh this was not much of a barrier for the company. However Mr. Landh also states that a certain level of product development is
required due to certain ISO certifications. The company is thereby affected by this barrier.

Another barrier that was perceived as a big obstacle for Absolent was *customer switching costs*, which prevents customers from switching supplier (McFarlan, 1984; Porter, 1980). Since the customers did not perceive the company as being trustworthy they were unwilling to buy Absolent’s products. Customers did not consider the company’s leading technology positive since there was no specific need or want for it. Again this problem was solved by offering its products for free during a trial period and the company was thereby affected by this barrier.

The *number of competitors* in the market affects the profitability in a market according to theory (Harrigan, 1981). The market for air cleaning equipment is fragmented where many small and some bigger companies are established however Mr. Landh perceives this as being an opportunity and therefore not a barrier.

When entering the U.S market in 2000, Absolent had new technology and patent for it which is why the barrier of *research and development* was not perceived as a barrier for the company. In theory, established firms can invest largely in R&D forcing entrants to do the same (Harrigan, 1981; Schmalensee, 1983) but as mentioned this was not a problem for Absolent. However, Mr. Landh also stated that they continuously make product improvements concerning efficiency, styling, cost rationalization, quality improvements and other things for instance they have produced 4 new products. This indicates that the company is affected by the barrier in order to be competitive.

Other than the above mentioned barriers, Mr. Landh mentioned differences in sales culture, problems with making the logistics and the chain of activities there running properly and “normal barriers for export and import and transfer prices” (CEO, Tony Landh, Absolent AB). Exactly what those normal barriers were was not further explained during the interview. There is no theory within exogenous and endogenous barriers which support these experienced barriers however they are clearly making it difficult. The reason for that is that exogenous barriers are rooted in the conditions established in the market which individual firms are unable to control. Endogenous barriers are created and maintained by already existing firms. WHATSOEVER, sales culture, logistic problems and the “normal barriers” are not part of any of these
categories, which is why we choose to label them as “other barriers” not dealt with in this paper.

Mr. Landh stated that they faced retaliation from the established actors in the market at time of entry. In theory there are so called endogenous barriers, which established actors create and maintain to prevent entry. It may be a question of increased advertising, increased sales promotion, price competition or reactions in general. Absolent did not perceive the incumbents to increase their advertising or sales promotion or even to price compete but they experienced that the incumbent’s were spreading rumors about them and there were also cases of illegal copying of their products.

“We noticed that we were denigrated by the competitor’s sales people and that it appeared a copy of one of our products”
(CEO, Tony Landh, Absolent AB, 2010-05-04)

The established competitor’s did most certainly feel threatened by Absolent and perceived them as having leading technology but as mentioned earlier Absolent solved these problems by offering their products for free during a test-period and took legal action against the firm producing a copy.

According to theory, firms must decide differentiation strategy once they have decided on customer groups to target (Vorhies et al., 2009). The customers of Absolent AB are from all industries where metal is processed and they also have customers from the food industry. We were not able to get an answer to if Absolent had chosen any specific customers within these segments but they were using 4 points of differentiation to stand out from their competitors. These were; “low maintenance cost”, ”a constantly clean and healthy work environment”, ”less cutting fluid is needed” and “reduced energy costs”. These points of differentiation could be said as being technological which probably derives from the fact that it is an advanced product built on an innovation. In theory, differentiation strategy enables firms to withstand competition and also create customer loyalty and thereby reduce price sensitivity among customers. This is favorable for Absolent due to them being more expensive than others.

Absolent have a broad product-market scope. They have ten standard products regarding oil mist filters and three standard products for their dust filters, however the
dust filters are only available in Sweden. The products can be modified and extended to suit the needs of the customer which is why we consider them to have a broad product scope even though they only have 10 products that they sell all over the world. Furthermore they seem to develop more products. They are present in many markets; The Nordic Countries, Europe, the U.S, Asia and have recently started to enter South America.

The largest barriers for Absolent were *cost disadvantages, competitor’s product differentiation* and *customer switching costs*. They solved the problems by gaining brand familiarity and setting the price level, which indicates that their market strategy was influenced by these barriers. Absolent AB perceived that the customers did not view them as trustworthy, which created barriers for them concerning competitor’s product differentiation and customer switching costs. They therefore offered their products for free during trial periods and were thereby able to show their unique qualities compared to competitors i.e. perceived barriers of competitor’s product differentiation and customer switching costs affected their market strategy. Furthermore, even though they did not perceive governmental policies and research and development as big barriers they seem to have been affected by these due to their constant improvements, some of them due to specific ISO certifications.

The analysis show that perceived entry barriers affected the market strategy of Absolent in accordance with our analysis model.

![Diagram](image)

**Figure 5.1:** *Within case analysis Absolent AB: Proposition 1*

5.1.2 Within-case analysis: Calesco Foil
The Manager of Foil Products of Calesco, Mikael Johansson was asked to grade the barriers on a scale from 1 to 5 concerning the level of difficulty to overcome.

The main obstacles for Calesco were governmental policies and customer switching costs according to Mr. Johansson. The governmental policies are difficult on some products due to certain certifications like UL (Underwriters Laboratories) needed for some electronic products. Mr. Johansson state;

“We are able to get the certification but it takes a lot of time and money since we have no established contacts in the U.S to speed the process up.”

(Manager Foil Products, Mikael Johansson, Calesco Foil, 2010-05-05)

This seem to have caused Calesco to choose its offerings carefully in the U.S. Customer switching costs have also been a problem for Calesco due to established competitors in the market which have gained brand recognition. Calesco is still fairly unknown in the U.S. The company has recently realized the importance of differentiating itself and this may very well be the cause.

The other barriers named by us during the interview were not perceived as barriers for the company however Mr. Johansson stated there were other barriers as well. The biggest obstacle of them all was the fact that its customers were spread around the country far from each other, which made it difficult for Calesco to go visit and give support at location etcetera. Mr. Johansson also said that the company experienced costs as a big obstacle. He only rated capital need/high investment costs as a 3 on our scale but the reason for this might be that it never developed into a problem since the company chose to expand slowly and to be careful because of this. Hence, costs were taken into account when entering the U.S market and thereby this barrier also affected the company’s marketing strategy. At last, Calesco experienced difficulties in finding the right sales people. A problem not likely to change the market strategy but made it difficult to do business.

Calesco did not face any endogenous barriers deriving from the incumbent’s when they entered the U.S market according to Mr. Johansson. The company has expanded remarkably during the past years but it still seem to be unnoticed by the competitors.
“Even though we have been successful and expanded very much we have a small market share which the competitors probably have not noticed”
(Manager Foil Products, Mikael Johansson, Calesco Foil, 2010-05-05)

Calesco is probably not seen as a threat to the established competitor’s yet. This has enabled the company to act undisturbed and the barriers created by incumbents have not affected the market strategy.

Calesco have not differentiated itself during the past but have experienced itself as being the first and greatest and acted out of that perspective meaning it have not felt it to be necessary to differentiate. Today the company tries to differentiate itself by being broad in what it is able to produce i.e. it has a broad product scope. As Mr. Johansson stated;

“We can do everything”
(Manager Foil Products, Mikael Johansson, Calesco Foil, 2010-05-05)

However the target customers are within the med-tech industry, electronics and comfort. Calesco is active in many markets. The company is present in Western Europe and in North America. It has currently no intentions of expanding further due to the financial aspect and that it still have a lot to accomplish in the already established markets. However, the company continues to expand although in small scale due to its customers pulling it into new markets. The market scope has clearly been affected by the capital need barrier. The company is considered to have a broad market scope however if the barrier of capital need would not exist the company might extend further and be broader. The negative effects of capital need have thereby not been limited by the fact that Calesco have a broad market scope.

The analysis show that perceived entry barriers; governmental policies, customer switching costs and capital need have affected the market strategy of Calesco in accordance with the analysis model.
5.1.3 Within-case analysis: Dustcontrol AB

The Sales Manager of Dustcontrol, Lars af Klintberg was asked to grade the barriers on a scale from 1 to 5 grading the level of difficulty to overcome.

There were only two barriers which Dustcontrol perceived as being true barriers and that was *capital need/high investment costs* and *governmental policies*. Regarding *capital need*, Mr. Klintberg stated;

“*When we started the daughter company this was a great barrier*”

(Sales Manager, Lars af Klintberg, Dustcontrol, 2010-05-06)

Regarding *governmental policies*, Mr. Klintberg stated;

“*The U.S is a large country with 5 different time zones and 52 different state laws to adapt to and we are forced to have knowledge about all the laws in each state*”

(Sales Manager, Lars af Klintberg, Dustcontrol, 2010-05-06)

When first entering the U.S market in 1986, Dustcontrol did it trough an agent, which meant that it did not have to engage in any heavy investments in the U.S market from the start. Because of that, the need for capital was at the point of entering not perceived as a considerable barrier in the beginning. However, when the company later started a subsidiary by acquiring the agent selling its products the need for capital grew bigger and it has since then been the highest barrier for Dustcontrol to overcome. The reasons for performing the acquisition of the U.S agent were to keep up the current production
levels and not lose economics of scale in production, which might also explain why cost advantages of incumbent’s was not perceived as a barrier. According to theory one of the advantages incumbents have in a market is that they can gain advantages from economics of scale (Bain, 1956, Porter, 1980; Yip, 1982) but Dustcontrol does not seem to be inferior considering economies of scale.

The other barriers mentioned during the interview were not perceived as barriers for the company however Mr. Klintberg mentioned other barriers and the greatest barrier of them all was finding the right sales people according to Mr. Klintberg;

“To sell is not a job which everyone can handle. It is difficult to find good sales people”
(Sales Manager, Lars af Klintberg, Dustcontrol, 2010-05-06).

This barrier has probably not altered the market strategy in any way but has obviously made it more difficult to do business in the U.S. Another barrier stated by Mr. Klintberg was the language.

Dustcontrol did not face any endogenous barriers deriving from the incumbent’s when they entered the U.S market according to Mr. Klintberg. They have been able to pass by unnoticed by the competitors and Mr. Klintberg seems to believe it is due to their relatively low turnover.

“Say that we sell for 3 million dollars in the U.S divided on 52 states. That is like a drop in the ocean”
(Sales Manager, Lars af Klintberg, Dustcontrol AB, 2010-05-06).

Due to no perceived barriers deriving from incumbent’s there has not been any impact of these on the market strategy of Dustcontrol.

Dustcontrol have a broad product and market scope. Mr. Klintberg did not know exactly how many products the company has, but stated;
“We have about five or six thousand articles if that is enough. Our philosophy is to use our standard products to construct customized solutions”
(Sales manager, Lars af Klintberg, Dustcontrol AB, 2010-05-06).

The company is locally presented with own subsidiaries in the U.S, Germany, Finland, Austria and England and has agents in more than 15 other countries.

It seems as if the product-market scope and differentiation strategy, stated as having a leading technology, have limited the negative effects of barriers for Dustcontrol and have therefore not affected the market strategy. Mr. Klintberg did not perceive cost disadvantages, competitor’s product differentiation, and access to distribution channels or customer switching costs as barriers for the company. The reason for this could be that its products with leading technology attracted customers and the company was able to raise its prices. Since Dustcontrol entered the U.S market by using a sales agent there was no problem with finding distribution channels since the sales agent already had established channels which were further used. Number of competitors and research and development was two other potential barriers stated in theory however not perceived as barriers for Dustcontrol. The industry consists of many actors approximately 3 or 4 big companies and about 20,000 smaller ones but according to Mr. Klintberg there still seem to be room for new entrants. The barrier of research and development has not affected the company in any way due to the company having its technology.

The analysis shows that the perceived entry barrier of capital need/high investment costs has not affected the market strategy of Dustcontrol. This was not a barrier in the U.S before the company developed a subsidiary through the acquisition. One could argue that it was its expansion of markets that made the management to take a strategic decision to start up a subsidiary instead of finding a new sales agent even though that might have caused less capital need. The barrier of governmental policies may however have affected the firm’s market strategy.

However, it seems as if the barriers have had limited impact on the market strategy of Dustcontrol and there is no strong correlation between the perceived entry barriers and the market strategy however there still seems to exist a somewhat correlation due to the barrier of governmental policy. We also find that the need for capital appeared as a result of their decision to acquire a subsidiary hence the correlation in this case could
also be stated as the market strategy of an entrant firm affects the perceived barriers to entry. It is therefore found that there is an opposite relation as well hence the arrow should also be pointed in the opposite direction.

**Figure 5.3: Within case analysis Dustcontrol: Proposition 1**

5.2 Perceived market strategy of incumbents affects market strategy of entrant firm (B affects C)

The second proposition deals with the conception that perceived market strategy of incumbents affect the market strategy of an entrant firm according to the analysis model (see figure 2.1) developed from existing theory.

5.2.1 Within-case analysis: Absolent AB

According to theory, incumbent’s create barriers as a part of their market strategies for instance they can increase their prices, advertising, sales promotion or they have gained customer loyalty making it difficult for new entrants to attract customers (Gable et al., 1995). Whatever barrier created by incumbents they are likely to affect the new entrants marketing strategy since the new entrant has to overcome these barriers by developing or adapting its strategy (Pehrsson, 2009). As mentioned earlier, Absolent AB did not experience the incumbents to raise prices, advertising or sales promotion but they experienced copying of their products and negative rumors being spread. Absolent AB therefore offered their products for free proving their unique quality, in other words adapted their market strategy and used differentiation. Further on, as stated earlier, Absolent AB was influenced by the barriers of cost disadvantages, competitor’s product
differentiation and customer switching costs which are affects of incumbent’s market strategies.

During the interview with Absolent Mr. Landh was asked if they had glanced at their competitor’s strategies while developing its own to see if there was any correlation there. He stated that they had limited knowledge about their competitors but they had knowledge about their prices;

“Of course we have tried to figure out the competitor’s prices to know what prices we should offer”

(CEO, Tony Landh, Absolent, 2010-05-04)

Hence the competitor’s prices had an effect on the marketing strategy of Absolent. They were also aware of the products that the competitors offered thanks to the customers informing them about their needs and wants hence competitor’s products also affected the market strategy of Absolent concerning products. The markets in which competitor's were active in was not according to Mr. Landh of significance due to the fact that they only looked at the geography and where they were able to find good contacts. Absolent have a broad market scope and that might explain why there is no need for them to analyze the markets of where competitors are active in. Mr. Landh stated during our interview that the company does not perform competitor analysis but view themselves as being analyzed.

Although Absolent does not perform competitor analyses they seem to be affected by the market strategies of incumbent’s due to them being affected by barriers created by competitors and the fact that they are aware of the competitor’s products and prices. Therefore the correlation between B and C in the analysis model is supported.
5.2.2 Within-case analysis: Calesco Foil

The incumbent’s have not created endogenous barriers for Calesco and have in that sense not affected the market strategy of Calesco. However its current market strategy seems to have been inspired by the incumbent’s market strategies and by the barrier of customer switching costs deriving from the incumbents. During the interview with Mr. Johansson he said that the company hardly ever looked at strategies of competitors when developing its strategy and argued this to be a weakness. Although, since Mr. Johansson entered the company two years ago they are now more interested in finding out what the competitors do. They analyze the products and differentiation strategies of the competitors and thereby get inspired of what to do themselves. The markets in which the competitors are active in are not actively analyzed by Calesco although they are aware of the competitor’s markets since they run into each other occasionally. The reason for not analyzing the competitor’s markets could be explained by the fact that Calesco are keen about expanding slowly and in a way that they can finance. Calesco is also pulled into new markets thanks to their customers but the company does not actively seek for new markets, which could explain why there is no need for analyzing the markets of competitors.

Although Calesco has not performed competitor analysis during the past they are currently affected by the market strategies of incumbent’s due to present analysis of products and differentiation strategies. The case of Calesco therefore supports the correlation between B and C in the analysis model.
5.2.3 Within-case Analysis: Dustcontrol AB

The incumbent’s have not created barriers for Dustcontrol and have in that sense not affected the market strategy of Dustcontrol. However the current market strategy of the company seems to have been inspired by the incumbent’s market strategies. According to Mr. Klintberg, Dustcontrol have looked at the competitor’s product differentiation strategies and state;

“We try to look as much as possible on the market. We look at the competitor’s websites to see what they do and what they got.”

(Sales Manager, Lars af Klintberg, Dustcontrol AB, 2010-05-06).

Mr. Klintberg also states that the competitors look at them and sometimes copy their name labeling of certain machines. The company is also aware of the competitor’s prices and products thanks to information they get from their customers.

“We don’t really keep track on our competitor’s prices or products, our customers usually do that for us. Just lately we experienced some price competition from a competitor that usually cannot compete with our prices and of course we have to look into that and see if we are really selling similar products in order not to lose market shares to this company”

(Sales Manager, Lars af Klintberg, Dustcontrol AB, 2010-05-06)
Further on, Mr. Klintberg stated

“We do not only try to keep up with the competitors, we also try to go further and invent new products in order for us to stay competitive”

(Sales Manager, Lars af Klintberg, Dustcontrol AB, 2010-05-06)

Dustcontrol is aware of the market strategies of incumbents and is thereby affected.

The analysis shows that the case of Dustcontrol supports the correlation between B and C in the analysis model.

![Diagram](image)

**Figure 5.6:** Within case analysis Dustcontrol: Proposition 2

### 5.3 Cross-case Analysis

A within-case analysis of each case has been conducted by comparing the empirical data with the theoretical framework. A cross-case analysis will now be conducted to find out similarities and differences between the three cases. As with the within-case analysis, the data will be presented according to the two propositions.

#### 5.3.1 Perceived barriers to entry affect market strategy of entrant firm (A affects C).

The barriers to entry and their level of difficulty were perceived differently between the companies studied. A comparison between the cases is developed through the figure below;
As noted, Absolent AB perceived cost disadvantages, competitor’s product differentiation and customer switching costs as barriers. Calesco Foil experienced governmental policies, customer switching costs and capital need/high investment costs as barriers while Dustcontrol AB experienced capital need/high investment costs and governmental policies as barriers. Even though the perceived barriers were differently perceived the within-case analysis showed that all the firms studied were affected by the barriers. The case of Dustcontrol also showed that the market strategy influenced the perception of entry barriers, i.e. a reversed relation.

The analysis shows that the perceived barriers to entry affect market strategy of entrant firm in all cases whereas it in the third case showed that the market strategy affected the perception of entry barriers.

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Absolent AB</th>
<th>Calesco Foil</th>
<th>Dustcontrol AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost disadvantages</td>
<td>4 at time of entry, 2 nowadays</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Competitor’s product differentiation</td>
<td>5 at time of entry, 2 nowadays</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Capital need/high investment costs</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Access to distribution channels</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Governmental policies</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Customer switching cost</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Number of competitors in the market</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Research and development</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 5.1: Comparison between cases: Proposition 1
5.3.2 Perceived market strategy of incumbents affects market strategy of entrant firm (B affects C).

All studied companies showed a positive relationship between the perceived market strategy of incumbents and its own market strategy. Calesco Foil had just recently started to perform competitor analysis and be aware of its competitor's strategies and was therefore not affected at the time of entry. However, there is a present correlation between the two.

The analysis shows that B affects C in all studied cases according to the analysis model.
**Figure 5.9: Cross-case, Proposition 2**

**Summary**

The figure below presents the model factors; perceived entry barriers, perceived market strategy of incumbents and the market strategy of entrant firm for each case studied.

<table>
<thead>
<tr>
<th>Model factors</th>
<th>Absolent AB</th>
<th>Calesco Foil</th>
<th>Dustcontrol AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Perceived entry barriers</td>
<td>• Cost disadvantages</td>
<td>• Governmental policies</td>
<td>• Capital need/high investment cost</td>
</tr>
<tr>
<td></td>
<td>• Competitor’s product differentiation</td>
<td>• Customer switching cost</td>
<td>• Governmental policies</td>
</tr>
<tr>
<td></td>
<td>• Customer switching cost</td>
<td>• Capital need/high investment costs</td>
<td></td>
</tr>
<tr>
<td>B Perceived market strategy of incumbents</td>
<td>• Limited knowledge about competitors</td>
<td>• Historically limited knowledge about competitors</td>
<td>• Knowledge about competitors</td>
</tr>
<tr>
<td></td>
<td>• Aware of competitor’s prices</td>
<td>• Aware of competitor’s differentiation</td>
<td>• Aware of competitor’s prices</td>
</tr>
<tr>
<td></td>
<td>• Aware of competitor’s products indirectly</td>
<td>• Aware of competitor’s products</td>
<td>• Aware of competitor’s products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Aware of competitor’s markets although</td>
<td>• Aware of competitor’s differentiation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>not actively analysed</td>
<td>• Aware of competitor’s markets</td>
</tr>
<tr>
<td>C Market strategy of entrant firm</td>
<td>• Broad product scope</td>
<td>• Broad product scope</td>
<td>• Broad product scope</td>
</tr>
<tr>
<td></td>
<td>• Broad market scope</td>
<td>• Broad market scope</td>
<td>• Broad market scope</td>
</tr>
<tr>
<td></td>
<td>• Customers: Industries with</td>
<td>• Customers: mainly in three</td>
<td>• Customers: Source extraction:</td>
</tr>
</tbody>
</table>

Source extraction:
metal processing
- Innovation-oriented/leading technology
- High prices
- 4 points of differentiation; “low maintenance cost”, “a constantly clean and healthy work environment”, less cutting fluid is needed” and “reduced energy costs”

segments; medtech, electronics and comfort
- Innovation oriented
- No clear differentiation strategy.

industries for mobile handheld machines and larger industry also air cleaning
- Innovation oriented/leading technology
- Differentiate itself by leading technology

Table 5.2: Comparison between cases, Proposition 2

Common for all three cases is that they are aware of their competitors, that they have a broad product-market scope and that they are innovation-oriented. Both Absolent AB and Calesco Foil have experienced the barrier of customer switching costs. All companies have also been affected concerning their market strategies by the perceived barriers and Dustcontrol showed that their market strategy had an impact on the perceived barriers i.e. opposite relation as well.

The analysis show that the empirical findings correlate with the analysis model in all cases. However, in the case of Dustcontrol AB there was a bidirectional correlation between A and C.

Figure 5.10: Correlation of A, B and C in the cases studied.
6 Discussion

In this chapter the main results will be discussed in relation to previous studies. A further developed model derived from our research findings will also be presented. Finally the chapter will end with a presentation of the limitations of the research and suggestions for improvement.

The results show that there is a positive relationship between perceived entry barriers and perceived market strategy of incumbent’s on market strategy of entrant firm. However, the first relationship was also found to be the opposite in the case of Dustcontrol where their market strategy had an effect on the perception of barriers to entry.

The research findings partly support previous studies concerning the need for capital and that this would make firms more innovative (Han et al., 2001; Salavou et al., 2004). All companies studied are considered to be innovation-oriented and both Calesco Foil and Dustcontrol AB perceived capital need as barriers. Further on it was found that that the innovations developed by the firms have increased their competitiveness which supports the view of innovation as reducing competition (Schumpeter, 1942).

Absolent AB, Calesco Foil and Dustcontrol AB are considered as small companies with its 26, 56 respective 75 employees and turnover of 90 million SEK, 139 million SEK respective 130 million SEK according to annual reports from 2008. This also supports previous research indicating innovativeness among smaller firms (Salavou et al., 2004).

Further on it was found that all companies studied have a broad product-market scope. This may have affected the impact of barriers according to research by Pehrsson (2007). The companies studied did experience some barriers but not all were seen as barriers for instance number of competitors in the market which was common for all companies.

Previous studies also suggest that market strategies of incumbents indirectly affect the market strategy of an entrant firm since competitors create barriers (Pehrsson, 2009). It
was found that in the case of Absolent AB incumbents created barriers of cost disadvantages, product differentiation and customer switching costs. The incumbents also created barriers by denigrating the company and also producing a copy. Calesco Foil and Dustcontrol AB also experienced the barrier of customer switching costs due to the fact that competitors had created customer loyalties. It was also found that the companies studied glanced at their competitors concerning what products they offered, in what markets they acted in and how they had differentiated.

The research in this paper was conducted by using an analysis model where perceived barriers to entry and perceived market strategy of incumbent’s affected the market strategy of an entrant firm. It was found in the analysis that these relationships were true however it was also found that the already developed market strategy of Dustcontrol affected the perception of barriers to entry. The reason for this opposite relationship is somewhat unclear, however it is plausible that firms will perceive new barriers by focusing on overcoming only one barrier and not considering other potential barriers. Dustcontrol acquired a subsidiary since they wanted to keep up the current production levels and not lose economies of scale. By doing this the company overcame the barrier of cost disadvantages however they then faced the barrier of capital need due to high investments. One can therefore argue that by focusing on overcoming one barrier and not considering other barriers companies will face new obstacles as a result hence their market strategy will change their perception of other barriers. There is therefore reason to believe that there is an opposite impact as well which is why the previous model has been further developed into the following;

![Further developed model](image)

**Figure 6.1: Further developed model**
The developed model needs to be further tested among more firms to validate the opposite relationship since this was only found in one case.

Some limitations were experienced with the research conducted in this paper. It was difficult to find out exactly how the companies experienced competitors which clearly is a sensitive subject to discuss. Both Absolent AB and Dustcontrol AB argued that even though they analyzed the competitors they were the ones being analyzed. It was thereby difficult to find out exactly how the market strategies affected the companies' market strategies even though there clearly was a relationship.

It was also found that there was a limitation concerning absence of documents from the companies. It was possible to get a hold of annual reports but it would have been even more beneficial if market plans had been available to study which would have provided the research with more detailed information concerning strategies. However, it seems to be important for firms to keep these documents secret which is understandable. This would however have improved the results.

Further on the results would have been improved by asking more detailed questions concerning the impact of barriers and incumbent’s market strategies. It was found that the companies had been affected but the impact could have been developed further.
7 Conclusion and implications

In this chapter the conclusions that can be drawn from the research findings will be presented together with the answer to the research question stated in this paper. Further on the implications of the findings will be presented followed by the author’s suggestions for further research.

The purpose of this thesis was to study the development of firms marketing strategies regarding product-market scope and differentiation and the impact of external conditions. The study has concentrated on the development of Swedish clean tech firms marketing strategies for their operations in the U.S. One research question was posed; how does the perception of competition affect the development of a firm’s international marketing strategy?

In this research it was found that the perception of competition affects the development of a firm’s international marketing strategy by how the barriers and the incumbents’ market strategies are perceived. The research findings also suggest that an already developed market strategy affect how the barriers are perceived. However, this correlation was only found in one case and further research needs to be conducted in order to validate this.

Implications

Swedish clean tech firms have an advanced technology but low export rates. Our findings show that relying on advanced technology is not enough to become successful in new markets and that a successful market strategy is dependent on more than the product itself. Firms must evaluate the barriers and incumbent’s market strategies together in order to find a competitive market strategy.

The entrant firm must consider its situation and its options with help from their knowledge about incumbent’s market strategies. Knowledge about incumbent’s strategies can provide directions on how to act on the new market. A technology leading company that lacks knowledge about their competitors risk to lose that advantage and fall behind. Awareness of competitor’s actions lets the firm react faster in order to keep position as technology leading.
Suggestions for further research

The authors would like to give the following three suggestions for further research:

- Extend this research to involve a larger amount of case companies and put the analysis model through further empirical testing.

- All of the case companies studied had a broad product-market scope. It would be interesting to see if similar research performed on case companies with a narrow product/market scope would generate the same results.

- This research only focused on the U.S market and the authors of this paper would recommend that similar studies will be performed on other export markets as well, for instance a growing market like China or a more common export market for Swedish companies like Germany.
List of references

Written sources


**Electronic sources**


Interviews
Tony Landh, CEO, Absolent AB, May 4, 2010
Mikael Johansson, Manager foil productions, Calesco Foil, May 5, 2010
Lars af Klintberg, Nordic sales manager, Dustcontrol AB, May 6, 2010

Annual reports
Absolent, Financial statements 2005-2008
Calesco Foil, Financial statements 2005-2008
Dustcontrol AB, Financial statements 2005-2008
Appendices

Appendix 1

Interview guideline Swedish

GENERELL INFORMATION

Frågor relaterade till respondenten:

1. Namn?
2. Titel?
3. Hur länge har du jobbat på företaget?

Frågor relaterade till företaget:

4. Kan du beskriva vad företaget arbetar med?
5. Kan du beskriva företagets historia? Hur har ni utvecklats?
6. Vart finns ni idag?
7. Antal anställda?
8. Omsättning?

MARKNADSSTRATEGIER

9. Vilka marknader är ni etablerade på? Sverige, USA, andra länder?
10. Hur har er marknadsstrategi utvecklats? Sverige, USA
11. Hur har ni profilerat er? Sverige, USA
12. Vilka produkter erbjuder ni? Hur många? Sverige, USA
13. I utvecklandet av er marknadsstrategi har ni då tittat på andra aktörers strategier?

Följdfrågor: Hur andra aktörer profilerat sig?

Vilka marknader andra aktörer befinner sig på?

Vilka produkter andra aktörer har?

14. Såg ni någon speciell grupp av kunder som ni ville rikta er mot? Sverige, USA
BARRIÄRER

15. Hur gick diskussionerna i ledningen innan ni valde att gå in på den amerikanska marknaden?

16. Upplevde ni att det fanns några hinder ni var tvungna att ta hänsyn till innan ni kunde etablera er i USA?

På en skala från 1-5 var vänlig ange följande potentiella hinder där 1 motsvarar inget problem alls och 5 ett stort problem.

- Kostnadsnackdelar?
- Konkurrenters produktdifferentiering?
- Kapitalbehov/hög investeringskostnad?
- Tillgång till distributionskanaler?
- Statliga regleringar/lagar?
- Ovilja från kunderna att byta leverantör?
- Antal konkurrenter på marknaden?
- Forskning, utveckling och patent?

Följdfråga: Dessa hinder, hur påverkade dem företaget? Hur löste ni det? 

Marknadsstrategier. Smalt eller brett produktsortiment/marknad? Gjorde ni något för att särskilja er?

17. Vad var svårast med att komma in på den amerikanska marknaden? Var vänlig rangordna de hinder ni tidigare nämnde. Hur löste ni det?

18. Var det något speciellt som gjorde att ni valde just den tidpunkten för att etablera er?

19. Var det många aktörer på marknaden i USA när ni valde att gå in? Storlek på dessa företag?

20. Hur etablerade ni er i USA? Export, uppköp eller byggande av egen produktion? Varför?
21. Har era produkter utvecklats i någon speciell riktning sedan ni valde att gå in i USA? Varför?


**Följdfråga:**

Hur reagerade ni på detta?

**Övrigt**

Finns det någon skriftlig dokumentation som vi kan använda oss utav?

Är det ok om vi återkommer via mail för eventuella kompletteringar?
Appendix 2
Interview guideline in English

GENERAL INFORMATION

Questions related to the respondent:

1. Name?

2. Title?

3. For how long have you been employed?

Questions related to the company:

4. Describe what the company does?

5. Describe the history of the company? How have you developed?

6. Where are your locations?

7. Number of employees?

8. Turnover?

MARKET STRATEGIES

9. What markets are you established in? Sweden, U.S, other countries?

10. How have your market strategy developed, Sweden, U.S?

11. What is your profile? Sweden, in the U.S.


13. In developing your market strategy did you compare it with other actors present in the marketplace?

Follow up questions:

What profile other actors have?

What markets other actors are established in?
What products other actors offer?

14. Did you see any special customer group that you wanted to target? Sweden, U.S.

15. What were the discussions like within the board of directors when you chose to enter the American market?

16. Did you perceive any risks by establishing in the U.S? Were they considered before the entry?

17. On a scale from 1-5 can you pleas rate the following barriers. 1 represents that the barrier where no problem at all and 5 that it was very hard to overcome this particular barrier.

- Cost disadvantages?
- Product differentiation of incumbents?
- Capital requirements?
- Access to distribution channels?
- Government regulations?
- Customer switching cost?
- Number of competitors?
- Research and development and patents?

Follow up questions:
How did these barriers affect the company? How did you do to overcome the barriers? Market strategies, broad or narrow product/market scope? Did you do anything to differentiate?

18. What was the most difficult obstacle for you when you entered the American market? In what way did you solve it?

19. Were there many other actors in the marketplace when you entered? Size of these companies?


21. Have your products been further developed since you entered? Why?
22. Did you perceive that the companies that where already established in the market did something when you tried to establish? Increased advertising? Price competition? Increased sales promotion? Any other actions?

**Follow up question:**

What was your reaction?

**Other**

Are there any written documents you think we can use?

Is it okay that we email or call if anything is unclear or that we have other questions?
# Appendix 3
## Operationalization

<table>
<thead>
<tr>
<th>Question</th>
<th>Based on theory/interview</th>
<th>Motive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 1-3 concerning background information about the respondent.</td>
<td>Background data about the respondent.</td>
<td>Warm-up questions making the respondent speak about him self and giving us a chance to get to know the interview object.</td>
</tr>
<tr>
<td>Question 4-8 related to the company and its operations.</td>
<td>Background information about the company.</td>
<td>Continuing to warm up the respondent but now with questions related to the company. Giving us the chance to know more about the company in numbers and its history.</td>
</tr>
<tr>
<td><strong>Market strategy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 9 concerning what markets the company is established in.</td>
<td>Market scope.</td>
<td>Knowledge about how the company has expanded and what countries they have operations in. Follow-up questions might be asked about competitors.</td>
</tr>
<tr>
<td>Question 10 concerning how the company have developed its market strategy in both Sweden and the U.S.</td>
<td>Development of strategy in domestic and foreign markets.</td>
<td>Introducing the respondent to the subject of strategy and giving us a hint on how the company strategy has emerged.</td>
</tr>
<tr>
<td>Question 11 concerning company profile.</td>
<td>Differentiation and focus strategy.</td>
<td>Generate data about how the company has differentiated and what markets they target.</td>
</tr>
<tr>
<td>Question 13 concerning development of marketing strategy and perception of competitors strategy.</td>
<td>Competitor’s differentiation, competitor’s product/market scope.</td>
<td>Information considering if perception about incumbents market strategy affected entry decisions of the firm.</td>
</tr>
<tr>
<td>Question 14 concerning choice of specific customer target group.</td>
<td>Differentiation.</td>
<td>Generate information about if the company differentiated towards a specific target group.</td>
</tr>
<tr>
<td><strong>Barriers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 15 concerning how the discussions within the board of the company went pre entry the American market.</td>
<td>Exogenous and endogenous barriers.</td>
<td>Knowledge about how the management of the company looked upon opportunities and threats when entering a new market. Potentially perceived barriers for the company will be mentioned.</td>
</tr>
<tr>
<td>Question 16 concerning perceived risk with an entry in the U.S market and if same risks where perceived pre as post</td>
<td>Exogenous and endogenous barriers.</td>
<td>Knowledge about what risks the company perceived linked to an entry of the U.S market.</td>
</tr>
<tr>
<td>Question 17 concerning obstacles for entering the American market and how the company acted to overcome them.</td>
<td>Exogenous barriers.</td>
<td>This question will give us information about which barriers that where perceived most crucial for the company and what strategy they used to overcome the barriers.</td>
</tr>
<tr>
<td>Question 18 concerning what barrier the company found hardest to overcome and how they did to do so.</td>
<td>Barriers.</td>
<td>Gives us knowledge about what barrier the companies found to be the hardest to overcome and how they acted to overcome it.</td>
</tr>
<tr>
<td>Question 19 concerning the number of actors on the market.</td>
<td>Barrier of number of competitors.</td>
<td>Lets us know how the market looked like and if there were a lot of other actors established.</td>
</tr>
<tr>
<td>Question 20 concerning how the company went about to enter the U.S market.</td>
<td>Barriers and market strategy</td>
<td>This question lets us know how the company went about for entering the U.S market and if they acted in a specific way in order to overcome any specific barriers.</td>
</tr>
<tr>
<td>Question 21 concerning product development and product adaptation.</td>
<td>Barriers, differentiation.</td>
<td>Gives us information about if the company has adapted their product in some way to the U.S market and if they have followed a specific product differentiation strategy.</td>
</tr>
<tr>
<td>Question 22 concerning perception of incumbent’s reactions on their entry in the market.</td>
<td>Endogenous barriers.</td>
<td>Lets us know how perceived barriers deriving from incumbents market strategy and in that case how they developed their market strategy as a result.</td>
</tr>
</tbody>
</table>

**Table A.1: Operationalization**
Appendix 4
Empirical data, continued

Absolent AB
Absolent AB is a Swedish company situated in Lidköping and founded in 1993. The company produces air-cleaning equipment that collects oil smoke and oil mist particles in industry productions. Their products reduce the consumption of energy as well as eliminate air pollutions (Absolent, 2010).

The company has a strong focus on innovation and individually custom-made complete solutions. Absolent have the ambition to become world leader in oil-mist and oil-smoke filtration. Absolent AB has a strong environmental policy. On their webpage they state that they are striving to continually improve the global air environment, develop and manufacture products with a reasonable minimum negative impact on the environment and to follow legislation and fulfill authority requirements. The company’s vision is expressed as “to be world leaders in process air cleaning equipment for industrial applications with a brand that stands as a guarantee for environmental responsibility” (Absolent, 2010).

The company is represented in Europe, Asia and North America and has continued to grow by constantly seeking new geographical markets to enter. Recently, Absolent entered the UK market by acquiring Filtermist Ltd a manufacturer of oil mist filters (Absolent, 2010) and during the year of 2008 several other acquisition objects where investigated (Absolent AB, Annual report, 2008). The company has 26 employees, 2 of which are situated in the U.S., 3 in China and the rest in Lidköping, Sweden. They engage further 50 people since they do not produce much themselves but outsource this activity (CEO, Tony Landh, Absolent AB).

According to the annual report of 2008 the company had a turnover of approximately 90 million SEK. However due to the financial crisis it was approximately 50 million SEK in 2009. 70% of the turnover is export and the export to the U.S stands for 28% hence is the largest market according to the CEO of the company.
The case study is based on a personal interview with Tony Landh who is the CEO of Absolent AB. Mr. Landh have worked at the company for approximately 10 years.

**Background of the company**

The company was started in 1993 by three people, an inventor, an entrepreneur and a financier. They decided early on that the production would be outsourced and that they wanted to expand under controlled forms. They would not be afraid of exporting and they would keep on innovating. The company started to market and sell their products in Sweden and by that time the company was focused only on oil mist filters. It was first in the end of the 90’s that dust filters was introduced. After a while they expanded and sold their products to the Nordic Countries, Europe and then the U.S in 2001. Today the company is present in China which, according to Mr. Landh, is the number one priority. They have also started to enter South America by exporting.

The company is locally presented in many markets. The head quarter is in Lidköping, Sweden and they have offices in North Carolina, USA and in Beijing, China. The company has system providers in Spain, Italy and in Mexico and also warehouses in Virginia, USA and in Copenhagen, Denmark.

The customers of Absolent are mostly from the automobile industry but actually from all industries where they are processing in material of metal according to Mr. Landh. Some customers are also from the food industry since their filters are able to reduce cooking fumes. Mr. Landh states that often they follow their large customers into new markets when their customers are expanding.

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Table A.2: *Financial information: Absolent AB*

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<td>6 980</td>
<td>9 030</td>
<td>5 255</td>
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</tbody>
</table>

---
Market strategy

The company started in Sweden and the strategy in Sweden has always been to have their own sales people due to the fact that they want to maintain a close relationship with the customer and in that way being aware of their needs and wants. When exporting on the other hand Absolent have distributors which according to Mr. Landh are needed.

Marketing is something that is done on tradeshows, exhibits and big world tradeshows for instance in Germany. According to Mr. Landh this is a great forum since it is a “one stop shopping” for customers where they can see both machines and filters.

Absolent differentiates itself on four points; “low maintenance cost”, “a constantly clean and healthy work environment”, “less cutting fluid is needed” and “reduced energy costs”. According to Mr. Landh the company can offer low maintenance cost since their filters are switched only once a year which decreases the costs not only for the filter itself but also for the time and effort it takes- the machines have to be stopped in order to switch filters. Absolent also withholds a constantly clean environment which Mr. Landh explains as even if their filters are old and partly clogged the air is still filtered equally well. Hence the air is never dirty however less air comes out. Less cutting fluid is needed due to the fact that this is collected by the filter and reused. At last they differentiate themselves by stating that they can offer less energy costs due to their filters being active only when needed otherwise they can be slowed down or of course turned off.

Absolent have a number of products in their product catalogue. They are all built on the same concept according to Mr. Landh but they are still different. For oil mist filters they have ten standard products and for their dust filters they have three standard products. The dust filters are only available for sale in Sweden while the others are sold in the whole world.

**Influence of competitors**

In developing their marketing strategies, they have not, according to Mr. Landh, looked at the strategies of competitors but more looked at the geography of where to establish. They have looked at how easy it has been to establish and how easy it has been to find a good contact. In the strategy development they chose Sweden, the Nordic Countries,
Europe, The U.S and Asia as their markets and in that order of appearance. They started their business in Sweden and expanded onto the Nordic Countries and Europe. They decided early on to start in Germany due to it being a big export market as Mr. Landh stated. They expanded in Europe as they found distributors. The U.S was entered before Asia because the company experienced it as it would be easier to establish there than in Asia due to language and culture.

In terms of prices however, Absolent have glanced at their competitors. The company has tried to find out the prices of competitors so that it would know what prices to offer. Concerning the products Mr. Landh states first that they compare their products constantly with their competitors but then he changes his mind and clarifies his statement by saying that this might have been done indirectly through asking customers what they wanted and needed and the customers were surely aware of the competitors.

According to Mr. Landh, the company does not perform competitor analysis and explains this by stating that they consider themselves being analyzed by the competitors instead of the opposite. He explains that there have been cases of competitors copying their products.

**Influence of Barriers**

The company decided early on to expand and establish in the U.S market and they also decided to grow under controlled forms and also to be cost efficient. According to Mr. Landh they got advise from the Swedish Trade Council and therefore decided that they would have an own daughter company in the U.S that would import their products. They would also have sales support and a warehouse in place. However before they started up a company in the U.S they consulted the Swedish Trade Council in Chicago who represented them for two years time. They also had a few retailers in place. In 2002, once the sales had been boosted, they sent the first Swedish employee over there and arranged an office for him. After a while there were 2 people working there handling orders, technical support and contact with retailers in the U.S. In the future there will be even more people employed states Mr. Landh. This growth strategy is used in China today as well.

Absolent AB experienced several obstacles before they entered the U.S market according to Mr. Landh. He states that the American standards are different for the
products for instance there are different laws and regulations and technical requirements that have to be fulfilled. Mr. Landh also mentioned the differences in sales culture and the “normal barriers for export and import and transfer prices” as obstacles.

Mr. Landh was asked to state a number of potential obstacles and the difficulties of these on a scale from 1 to 5 where 1 is equal to no problem and 5 is equal to a very big problem.

The result is shown in figure below;

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Scale 1-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost disadvantages</td>
<td>4 at time of entry, 2 nowadays</td>
</tr>
<tr>
<td>Competitor’s product differentiation</td>
<td>5 at time of entry, 2 nowadays</td>
</tr>
<tr>
<td>Capital need/high investment costs</td>
<td>1</td>
</tr>
<tr>
<td>Access to distribution channels</td>
<td>1</td>
</tr>
<tr>
<td>Governmental policies</td>
<td>2</td>
</tr>
<tr>
<td>Customer switching cost</td>
<td>5</td>
</tr>
<tr>
<td>Number of competitors in the market</td>
<td>2</td>
</tr>
<tr>
<td>Research and development</td>
<td>1</td>
</tr>
<tr>
<td>Access to new customers</td>
<td>1</td>
</tr>
</tbody>
</table>

Table A.3: Perceived barriers: Absolent AB

Cost disadvantages: At time of entry it was very difficult states Mr. Landh due to the company being “more expensive than others”. He decides on number 4 at time of entry but emphasize that today it is only number 2 since the brand is nowadays familiar and the price level is set.

Competitor’s product differentiation: Mr. Landh states that in the beginning the competitors were a huge obstacle to the company and the customers did not consider Absolent to be trustworthy. He states that there was a 5 in the beginning but they managed to solve the problem by offering their products for free for a period of 3 months and therefore the competitors are not as big obstacle anymore. Number 2 according to Mr. Landh.
Appendices

*Capital need/high investment costs:* Mr. Landh states that the company has managed to stay away from these costs by choosing a less capital intensive establishment in form of distributors and outsourced production hence number 1.

*Access to distribution channels:* Mr. Landh states this as being the hardest part of everything when going international, “finding the right sales person”. Although he defines it also as a possibility and is something they constantly are working with. He does not want to define it as being an obstacle although it is very difficult. The difficulty lies in the fact that there are many sales people and retailers to choose from which makes it hard to choose the right one which is why he numbers it as 1.

*Governmental policies:* Mr. Landh does not experience big obstacles in this area and says that it is fairly easy hence number 2.

*Customer switching costs:* This was perceived as a big obstacle for Absolent in the beginning, number 5 as Mr. Landh states. As previously stated customers did not perceive the company as being trustworthy. Further on, the air in the U.S does not have to be as clean as in Sweden which in the beginning made the customers unwilling to buy products from Absolent even though they had competitive advantage concerning their technology.

*Number of competitors in the market:* Mr. Landh points out that competitors are an obstacle however the market in this business is fragmented which means that there are a lot of small companies and some larger companies. He states that the fact that there are a lot of companies is seen as an opportunity rather than a threat and therefore numbers it as 2.

*Research and development:* This was not viewed as an obstacle for the company and Mr. Landh state the reason for this as since they already had new technology and patent for it.

According to Mr. Landh, the most difficult of entering the U.S market was the fact that they were unknown, “new kid on the block”. They experienced it as difficult to gain credibility among new customers. Secondly the company found it difficult to find the right distributors to represent the company. Lastly the company viewed it as difficult with the logistic, i.e. production, shipment, warehouse etc. and to make that chain of activities running properly.
Absolent AB entered the U.S market in 2000 due to orders coming in from the U.S by their established Swedish customers. At time of entry there were already a lot of actors in the marketplace according to Mr. Landh. He explains that the market was mature and that all the established technologies existed at that time. Mr. Landh estimates the number of competitors at time of entry to be approximately 30 of which 15 of them were bigger companies.

Mr. Landh was asked if the products have been modified since time of entry to the U.S and he answered that they are developed constantly and that they use the so called “Toyota philosophy” which is about lean manufacturing and for Absolent AB it means constant improvement. Mr. Landh states that they have done improvements in efficiency, styling, cost rationalizations, quality improvements and a lot of other things among those 4 new products. The company has done these improvements in order to meet the needs of the customers and in some cases make the production cheaper. Other than that there are certain ISO certifications which demands development says Mr. Landh.

According to Mr. Landh, the company faced power of resistance from existing competitors in the U.S market when they entered. They found out that they were denigrated by the sales people of competitors. The company also found out that a copy of their product had been produced which made them take legal action.
Calesco Foil

Backer BHV is a subsidiary to NIBE Industries and Calesco Foil is a business unit within Backer in a business area called heating elements. Calesco Foil was previously a fully owned subsidiary to NIBE Industries but on the 1st of January, 2010 the company was transformed into a business unit. Calesco Foil was founded in 1992 and its head office is situated in Kolbäck, Sweden. Calesco Foil has production in Sweden, Poland and in China and has approximately 250 employees. Calesco Foil is also established in the U.S with a sales and logistic office where 5 people are working 1 of which are working within the foil-division (Manager Foil Products, Mikael Johansson, Calesco Foil). They produces applications of foil elements, which provides heat for industries and its business concept is expressed as; “to develop, manufacture and market thin flexible foil heaters for resistance heating or electric conducting” (Calesco Foil, 2010).

Calesco is a supplier of components to the original equipment manufacturer as well as finished products to end customers. They have the widest product range of all thin foil heating element manufacturers in the world and have its major business in foreign markets. They define themselves as “a big supporter and supplier of meeting the needs of going green” (Calesco, 2010). Calesco provides solutions for heat for instance when there is a need of low energy consumption. Their foil heaters are found in environmental friendly applications such as in electric cars and in wind power stations (Calesco Foil, 2010).

According to the annual report from 2008 when Calesco Foil was still its own company its turnover was approximately 138 million SEK.

<table>
<thead>
<tr>
<th>FINANCIAL INFORMATION (TSEK)</th>
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<td>188 828</td>
<td>182 337</td>
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<td>Solidity (%):</td>
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<td>Annual result:</td>
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<td>-2 437</td>
<td>-293</td>
<td>-1 254</td>
</tr>
</tbody>
</table>

Table A.4: Financial information: Calesco Foil
The case study is based on a personal interview with Mikael Johansson who is the Manager of Foil Products. Mr. Johansson has been working for the company for two years.

**Marketing strategy**

When it comes to markets which Calesco Foil are established in the respondent stated that they are biggest in Western Europe and in North America however more in the U.S than in Canada. Mr. Johansson also claimed that there are no intentions of expanding further due to the financial aspect and the fact that they still have much to accomplish in the markets where they are present already. They reason for still expanding although in small scale is due to customers buying their products moving into new markets and therefore takes Calesco Foil into these markets as well. Hence it is the mostly the customers of Calesco Foil which drives them into new markets according to Mr. Johansson.

According to Mr. Johansson Calesco Foil entered the U.S market in the year of 2000 when Calesco Foil bought a company called Norells. Norells already had a daughter company and an office in Detroit which Calesco Foil chose to keep. Norells were established in the automotive and waterbed industry but it was first after 2000 that other products were sold.

In the beginning of the establishment in the U.S the company started to look for customers by employing people looking for new business areas and customers. The company chose to sell products or applications which were successful in Europe such as heating for waterbeds and handle bars hence the company was looking for similar products and customers as in Europe which were in need for their offer. The products which the company mostly sells in the U.S is for waterbeds, handle bars, med-tech, healthcare and lenses, however their foil heaters are customer oriented which means that they are able to produce heat for almost any product.

According to Mr. Johansson, Calesco Foil has not differentiated itself at all during the past. He states that the company have experienced itself as being the first and the biggest and therefore acted like it. One has almost been more of an order receiver rather than a sales person. Today, Calesco Foil tries to take advantage of it not being
the first and greatest but being broad in the sense that they, thanks to their competence, are able to solve most problems related to foil. The production in Sweden consist of mostly complicated products in small series and therefore Mr. Johansson calls it an industrial prototype workshop while there is mass production in Poland and China at lower costs enabling the company to price compete if necessary. However, the design of their products is mostly done in Sweden except for rear view mirrors, which are designed and produced in Poland.

We asked Mr. Johansson what products the company offered and how many they were and he answered that they can do “everything”.

Calesco Foil focuses on customers mainly in three segments; med-tech, electronics and comfort. The company has worked for a long time producing heat for medical equipment and according to Mr. Johansson they have had a great turnover and profit but there are still things to be done in this segment. In the electronic business there are cameras, lenses, heating etcetera and Calesco Foil have managed to create and maintain a promising position and keep growing in this segment. At last they focus on comfort heating such as for instance floors for housing and bathroom mirrors.

**Influence of competitors**

Mr. Johansson states that Calesco Foil hardly ever looked at strategies of competitors when developing the company and claims this has been a weakness for the company. They are aware of their greatest competitors and what they are doing but overall they have not been active in performing competitor analysis. However, since Mr. Johansson entered the company two years ago they are now looking more at their competitors and also use some of their ideas. They have for instance realized that some competitors produce things that they themselves previously have produced but probably not been successful in highlighting this.

Calesco Foil has also started recently by looking at how competitors differentiate themselves even though this has not previously been carried out at the company. However, there are not only competitors who they look at but also other companies in other industries where they try to find inspiration and ideas for how to differentiate.

Mr. Johansson state that they are now looking very much at the products which competitors offer partly to use some of their ideas but also to see if the competitors
produce the same things. He states that sometimes one comes up with a new idea and then you analyze your competitors to see if they follow you and sometimes the competitors comes up with something new and then you follow them.

Calesco Foil are aware of what markets their competitors are established in since they run into each other, however they do not actively analyze the markets in which competitors are established in.

Influence of barriers

Calesco Foil entered the American market in 2000 when they bought Norells. Norells had established a sales and logistics office in Detroit and also had a warehouse there. Calesco Foil thought that since they already had a position in the U.S, they mind as well keep it.

Calesco Foil experienced several obstacles in the U.S market. The biggest obstacle according to Mr. Johansson was the fact that their customers were widespread and far away from each other. Calesco Foil quickly created new customers but by using successful and famous applications such as for waterbeds, handle bars etcetera their customers ended up in different parts of the country. Waterbeds are big in California; handle bars for scooters are big in Minnesota, Fleer a customer for which Calesco Foil produces heat for lenses are situated in Santa Barbara.

Another obstacle experienced is the costs involved which made Calesco Foil very careful and they decided to expand slowly. They also experienced difficulties in finding the right sales people in the U.S. they made mistakes by hiring sales people which had low technical knowledge which is needed in this business due to products being complicated and the fact that there is no product catalogue available.

Mr. Johansson was asked to state a number of potential obstacles and the difficulties of these on a scale from 1 to 5 where 1 is equal to no problem and 5 is equal to a very big problem. The result is shown in figure below;
### Table A.5: Perceived barriers: Calesco Foil

<table>
<thead>
<tr>
<th>Barriers</th>
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<tbody>
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<td>Cost disadvantages</td>
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<tr>
<td>Competitor’s product differentiation</td>
<td>2</td>
</tr>
<tr>
<td>Capital need/high investment costs</td>
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<tr>
<td>Access to distribution channels</td>
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<td>Governmental policies</td>
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<tr>
<td>Customer switching cost</td>
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<tr>
<td>Number of competitors in the market</td>
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<tr>
<td>Research and development</td>
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Cost disadvantages was according to Mr. Johansson a very limited problem hence number 2. Competitor’s product differentiation was given the same number. According to Mr. Johansson were capital need/high investment costs not a problem in the U.S since there is no production over there but on the other hand he stated that they have personnel, buildings etcetera which is why he gave it number 3. Access to distribution channels was given number 3 which Mr. Johansson argued was due to it always existing available channels although it is a matter of handling them. Governmental policies was stated as being very difficult concerning some products whereas not an obstacle at all concerning other products. Mr. Johansson stated that in the U.S they have something called UL (Underwriters Laboratories) which is needed on some products otherwise it is impossible to sell them. Mr. Johansson explained that Calesco Foil does not have any established contacts in the U.S to speed up the process of acquiring the certifications, which means it costs them a lot of time and money. Customer switching costs was yet another difficult barrier perceived by the company according to Mr. Johansson and stated it as number 4. The number of competitors in the market has not been a barrier for the company hence number 2. Research and development and patents have not been a big barrier for Calesco although Mr. Johansson states it as number 3 and said that they have some patents but they would need a bigger R&D department in order to be really successful.
According to Mr. Johansson the greatest difficulty was finding the right sales people and the fact that the company had no real marketing strategy. The only thing planned was that the company should expand but there should be a slow expansion. Mr. Johansson stated that there was a lack of focus.

According to Mr. Johansson Calesco faced no retaliation from competitors established in the U.S market when they entered the market and still do not and states that even though they have grown remarkably during the past few years they have a very small market share which is probably not even noted by the competitors.
Dustcontrol AB
Dustcontrol AB is situated in Norsborg, Sweden and was founded in 1972. The company produces suction systems for smoke, dust and sawdust in order to make industrial productions cleaner and more efficient. The dust is removed at the source where and when it is created. The company offers a total range of products collecting dust for both small and large firms in various industries. The company’s product range includes “mobile dust extractors for industrial and construction usages, liquid extractors, preseparators, air cleaners, fixed extraction installations, peripheral equipment and accessories.” The mission of the company expressed in the American website is stated as; “to be the best, excel with customers, help people develop and grow profitably” (Dustcontrol, 2010).

The headquarters of Dustcontrol is located in Norsborg and the company has daughter companies located in Finland, Germany, England, the U.S. and in Austria. The company has also retailers in 15 other markets. Dustcontrol was founded in 1972 and has approximately 140 employees worldwide whereof approximately 70 in Sweden. The annual turnover is SEK 200 million (Dustcontrol, 2010).

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<tr>
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<td>6 571</td>
</tr>
</tbody>
</table>

Table A.6: Financial information: Dustcontrol

The case study is based on a personal interview with Lars af Klintberg who is the Sales Manager for the Nordic countries of Dustcontrol AB. Mr. Klintberg have worked for the company since 1977 with a few years of absence. He is believed to have good knowledge about the U.S market since he earlier on has helped out developing the export division.

Market strategy
Dustcontrol first entered the U.S market through a sales agent who sold their products. The partner called Transmatic, were a large agent who had many different companies as customers but after a while they went bankrupt and where forced to sell out the company division by division. At this point the U.S market was not big but Dustcontrol was making profits from it. Mr. Klintberg state that they made money from selling to the agent and also acquired economics of scale due to a larger production thanks to the sales over seas and they wanted to keep that up. When the opportunity appeared to acquire Transmatic, Dustcontrol felt more or less strategically forced to buy it argues Mr. Klintberg. In 2001, the company therefore had a subsidiary in the U.S.

In countries where Dustcontrol is active and still don’t have subsidiary’s they use agents in order to become more local and come closer to the market. Mr. Klintberg states that it is hard to do business in a language that is difficult to understand. Another reason for having agents is that they are cheaper state Mr. Klintberg since they do not have to send salespeople all over. Further more if they are closer to the market they can perform installations cheaper than competitors.

Dustcontrol’s market strategy has been developed during the years and they have broadened their product range in order to satisfy customer needs. The machines have also become more advanced and larger. They have also started to work with air cleaning and not just source extraction. Today they can create almost any device for source extraction and they are much broader today than before. Dustcontrol’s market has also expanded and they are searching for agents on foreign markets during branch fairs and similar events. Mr. Klintberg states; “We expanded pretty fast during the 80’s thanks to foreign distributors and agents and it took us about 10-12 years to adapt to that expansion. When we entered the U.S. we were not quite ready but today we are actively looking for new market opportunities”.

Dustcontrol have about 5 or 6 thousand products but that’s mainly smaller parts from which they construct their source extraction solutions to customers, who often are customized in one way or another. Mr. Klintberg puts it this way “We use our standard products to construct customized solutions”. Many countries have different standards concerning power supply and uses voltages and hertz standards. This is somewhat perceived as a barrier and it forced them to adapt to the foreign market to be able to sell
their products in new markets and Mr. Klintberg admits that there was a learning curve connected to this.

The company is differentiated by its leading technology.

**Influence of competitors**

Mr. Klintberg state that Dustcontrol AB keeps track of their competitors but ads that they have been market leading in some segments of their market for a while now making the competitors looks at them. Their strategy is to sell products developed in Sweden and sometimes they get critique for their products not being adapted enough to certain foreign markets.

Concerning competitor’s differentiation strategies, Dustcontrol AB keep track of that through websites according to Mr. Klintberg. “We look at what they do and what they got”. He also states that the competitor’s copy what they do by using the same product names.

Concerning prices and products on the market Mr. Klintberg states; “We don’t really keep track on our competitor’s prices or products, our customers usually do that for us”. In general Dustcontrol are quite expensive and within the higher price range. “Just lately we experienced some price competition from a competitor that don’t usually can compete within our price range and of course we have to look in to that and see if we are really selling similar products in order not to lose market shares to this company”.

**Influence of barriers**

Dustcontrol experienced several obstacles before they entered the U.S market according to Mr. Klintberg. One of these is are the different standards for electricity in machines and in buildings compared to Sweden. There are according to Mr. Klintberg also different certificates making it difficult although this does not seem to be a major barrier for the company. What has been even more difficult states Mr. Klintberg is that the U.S is a large country with 5 different time zones and 52 different state laws to adapt to and that the company is forced to have knowledge about all the laws in each state they decide to do business. The business culture in the U.S is also different and as an example they are not on the metric system but instead use foot, yard and inches.
Also they have different standards for brochures and other working environmental laws and standards. The language has been a problem for Dustcontrol and Mr. Klintberg states the importance of understanding the language in the countries that they do business in. Not just because of the language but also because of the cultural differences and to be able what a person actually says and means by saying something.

Mr. Klintberg was asked to state a number of potential obstacles and the difficulties of these on a scale from 1 to 5 where 1 is equal to no problem and 5 is equal to a very big problem.

The result is shown in figure below;

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Scale 1-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost disadvantages</td>
<td>2</td>
</tr>
<tr>
<td>Competitor’s product differentiation</td>
<td>2</td>
</tr>
<tr>
<td>Capital need/high investment costs</td>
<td>5</td>
</tr>
<tr>
<td>Access to distribution channels</td>
<td>2</td>
</tr>
<tr>
<td>Governmental policies</td>
<td>3</td>
</tr>
<tr>
<td>Customer switching cost</td>
<td>3</td>
</tr>
<tr>
<td>Number of competitors in the market</td>
<td>2</td>
</tr>
<tr>
<td>Research and development</td>
<td>1</td>
</tr>
<tr>
<td>Access to new customers</td>
<td>3</td>
</tr>
</tbody>
</table>

Table A.7: Perceived barriers: Dustcontrol

Cost disadvantages have not been a considerable problem for Dustcontrol on the U.S market and they have always made profit from their sales there. On a scale from 1 to 5 Mr. Klintberg rates cost disadvantages low at first but then changes his mind and gives it as 3 due to costs involved for shipment.

Competitor's product differentiation was not perceived as a barrier and was given number 2. The reason for that is that the company experience itself as technology leading in the market.
The need for capital was perceived as a great problem and was given a 5. The acquisition of Transmatic and the formation of a subsidiary demanded large capital investment.

Access to distribution channels was not perceived as a problem since the channels already existed due to the company that they bought. Mr. Klintberg rated it as number 2.

Governmental regulations were due to the previous discussion about differences in standards and certifications rated as a 3 by Mr. Klintberg.

Customer switching costs was given a 3 on our scale but Mr. Klintberg stated that he really did not know.

Mr. Klintberg argues that he do not really know about the numbers of competitors on the market but state that there are about 4-5 bigger companies that they compete with and then there might be about 20,000 smaller ones that also are established in the U.S. Mr. Klintberg have not perceived the competitor concentration as a barrier of greater scale and rates it as a 2.

Research and development/patents have not been a problem at all for Dustcontrol AB and was therefore given number 1.

Mr. Klintberg was asked if the company have experienced any reactions from the competitors at time of their entry. He answered that Dustcontrol AB have a turnover in the U.S market that reaches about 3 million dollar, divided on 52 states. “Say that we sell for 3 million dollars in the U.S. divided on 52 states. That is like a drop in the ocean”