



# MASTERARBEIT

Titel der Masterarbeit

**„Market Entry Strategies of Multinational Companies in Austria:  
An Empirical Analysis on Food and Beverage Industry “**

Verfasserin

Nelofar Yeasmin

gemeinsam mit

Ebru Aktas

angestrebter akademischer Grad

Master of Science (MSc)

Wien, 2015

Studienkennzahl lt. Studienblatt: A 066914

Studienrichtung lt. Studienblatt: Masterstudium Internationale Betriebswirtschaft

Betreut von: Univ.-Prof. Mag. Dr. Josef Windsperger

# **ACKNOWLEDGMENT**

This thesis is written and accompanied by International Management of University of Vienna at Business Administration and International Business Administration Department. First of all, we would like to convey our gratefulness to the almighty God for giving us patience to complete this thesis. We owe great thanks to our Supervisor, Univ.-Prof. Mag. Dr. Josef Windsperger for his guidance, support and endurance during this thesis project process.

We would also like to express our gratitude towards all respondents who participated in the survey. Finally, we would like to thank to our family, as we would never be able to complete this study without their support.

We wish that this thesis will shed a light to the potential multinational companies that have propensity to penetrate into Austrian market, especially food and beverage industry.

# ABSTRAKT

Einem Großteil der Firmen wird heutzutage durch Globalisierung und raschem Fortschritt in der Technologie die Möglichkeit gegeben, in internationale Märkte zu expandieren. Dies dient einerseits der Ertragssteigerung, andererseits der Erhöhung der Marktanteile. Deshalb gibt es bereits eine Vielzahl an Studien, die sich intensiv mit dem Thema "Markteintritt" beschäftigen, um zu zeigen, welche Strategie Konzerne zu internationalem Erfolg führt.

Ziel dieser Arbeit ist es, Markteintrittsstrategien multinationaler der Lebensmittel- und Getränkeindustrie in Österreich zu beurteilen. Zu dem beschäftigt sich diese Recherche mit den ausschlaggebenden Faktoren des Internationalisierungsprozesses und den entscheidenden Werten für die Auswahl eines passenden Markteintrittsmodells von im Ausland ansässigen Konzernen. Des Weiteren soll in dieser Arbeit der Auswahlprozess ein berechtigten Eintrittsstrategien herausgeführt werden. Um hier zu relevanten Informationen zugang, wurde eine qualitative Analyse mit Quantitativen Aspekten mit in Österreich tätigen Firmen durchgeführt.

Die Ergebnisse lassen darauf schließen, dass in Österreich eine harte Konkurrenz in beiden Branchen herrscht. Zurückzuführen ist dies zum einen auf lokale und globale Konkurrenten und zum anderen auf strenge Markteintrittsbarrieren. Firmen die Geschäfte in Österreich anstreben, sollten direkten Export als passende Markteintrittsstrategie forcieren.

**Key Wörter:** Markteintrittsstrategie, Markteintrittsmethode, Österreich, Lebensmittel- und Getränkeindustrie.

# ABSTRACT

Due to globalization, rapid escalation in technology, majority of firms have disposition to expand business into international markets in order to increase their profit and have higher market share. So that, there exists large number of the studies that have been discussed about market entry strategies in order to contribute the companies to pursue right strategy and reach success in international markets.

The purpose of this thesis is to evaluate the market entry strategies of multinational companies (MNCs) in food and beverage industry in Austria. The research also handles the key motives of the companies in internationalization, main factors affecting the choice of entry modes of foreign-based companies. On the other hand, main challenges that the enterprises face during the selecting process of the right entry mode are included in the thesis. In order to reach accurate information, a qualitative research along with some quantitative aspects was conducted with the companies, which have been doing business in Austria.

The research findings indicate that there is tough competition in Austrian food and beverage industry due to both local and global competitors as well as strict barriers to enter the market. The companies that desire to do business in Austria should choose direct exporting as market entry strategy.

**Keywords:** Market entry strategy, market entry mode, Austria, food and beverage industry.

# **EXECUTIVE SUMMARY**

Due to the revolutionary impact of globalization in international trade, the abundance of resources from different parts of the world, the technological advances, the changing trend among the customers, and the trade friendly regulations imposed by the governments are encouraging many local firms to expand their business overseas. Austria being closely linked to the European Union attracts many foreign companies to regulate their business as this market is characterized by high standard of living, skilled labor force, and well-developed market economy. Along with many industries, food and beverage industry has been booming rapidly in recent years. Even though, the market is dominated by many local enterprises, there exist many foreign companies which are operating their business efficiently and successfully throughout the years.

But till now, no research has been done focusing on the foreign companies' entry mode strategy in food and beverage industry in Austria. So, we have focused on this issue in order to explore the choice of market entry mode of companies when penetrating market entry into Austrian food and beverage industry. Also, main challenges that companies have been facing, the key factors that influenced their decision on their chosen entry strategy, and the determinant motivational factors that encouraged entering into this industry. Finally, we have also provided managerial implications for potential companies who have tendency to invest in this industry. After observing our research findings, multinational companies can make a practical and profitable decision over the entry mode strategy.

In order to acquire an appropriate result, we have conducted a qualitative research along with some quantitative aspects. All the foreign companies in food and beverage industry in Austria have been considered as our target group of sample. The survey has been conducted with a structured questionnaire and the analysis has been made on the basis of the information provided by our final sample.

The result of our research findings indicates that majority of the companies prefer 'Exporting' as a salient market entry mode for this industry. Through this strategy, these companies endeavor to evaluate the market environment and in some cases if the companies find the market profitable enough, they invest vast resources and implement

high commitment market entry mode which is wholly-owned subsidiary. The companies focalized on product characteristics as well as market size and growth while deciding an entry strategy for Austrian market. On the other hand, the most important factors that inspired the companies to choose Austria as an effective market are foreign market opportunities and market information as well as profit and growth goals. It designates that the food and beverage industry in Austria is opportunistic market and attractive enough for companies to increase their profit and expand their business. However, the companies are also facing problems while operating in Austrian market. From the findings, it has been found that the biggest problem they face in food and beverage industry is the intense competition. The presence of authoritative enterprises limits the foreign companies to enter into this market. Due to the dominance of some specific companies, it is very difficult to position the brand conductively.

So, the companies which are interested to penetrate into this market are suggested to use direct exporting as market entry strategy. New companies can enter into the market with bio products, as the preferences for have been relatively high due to health concerns and changing attitude of Austrian consumers towards nutritious food choices. The companies are also advised to ensure the accuracy, homogeneity, and obtainability of product information in all advertising and promotion and on food or beverage labels, as the regulations strictly prohibit the companies to do something else.

# TABLE OF CONTENTS

|  |           |
|--|-----------|
| <b>ACKNOWLEDGMENT .....</b>  | <b>2</b>  |
| <b>ABSTRAKT (Ebru Aktas) .....</b>   | <b>3</b>  |
| <b>ABSTRACT (Ebru Aktas ) .....</b>  | <b>4</b>  |
| <b>EXECUTIVE SUMMARY(Ebru Aktas &amp; Nelofar Yeasmin) .....</b>             | <b>5</b>  |
| <b>TABLE OF CONTENT.....</b>   | <b>7</b>  |
| <b>LIST OF FIGURES &amp; TABLES .....</b>                                    | <b>10</b> |
| <b>1. INTRODUCTION (Nelofar Yeasmin) .....</b>                               | <b>11</b> |
| <b>2. LITERATURE REVIEW (Ebru Aktas) .....</b>                               | <b>15</b> |
| <b>3. THEORETICAL BACKGROUND (Nelofar Yeasmin) .....</b>                     | <b>25</b> |
| <b>3.1. INTERNATIONALIZATION PROCESS .....</b>                               | <b>25</b> |
| 3.1.1. The Uppsala Internationalization Model.....                           | 26        |
| 3.1.2. Innovation-Related Internationalization Model (I-Model).....          | 28        |
| 3.1.3. The Transaction Cost Theory .....                                     | 30        |
| 3.1.4. The Network Model .....   | 31        |
| <b>3.2. MARKET ENTRY MODES .....</b>   | <b>33</b> |
| 3.2.1. Export Modes .....  | 34        |
| 3.2.1.1. Indirect Exporting.....   | 35        |
| 3.2.1.2. Direct Exporting .....  | 37        |
| 3.2.2. Intermediate or Contractual Entry Modes.....                          | 39        |
| 3.2.2.1. Licensing .....   | 39        |
| 3.2.2.2. Franchising .....   | 41        |
| 3.2.2.3. Contract Manufacturing.....   | 43        |
| 3.2.2.4. Joint Venture. ....   | 44        |
| 3.2.3. Foreign Direct Investment (FDI) .....                                 | 45        |
| 3.2.3.1. Wholly-Owned Subsidiary.....  | 46        |
| <b>3.3. FACTORS INFLUENCING MARKET ENTRY DECISIONS .....</b>                 | <b>49</b> |
| 3.3.1. Internal Factors.....   | 49        |
| 3.3.1.1. Firm Size .....   | 49        |
| 3.3.1.2. International Experience.....                                       | 50        |
| 3.3.1.3. Product/Service .....   | 50        |
| 3.3.2. External Factors .....  | 51        |
| 3.3.2.1. Socio-cultural distance between home country and host country ..... | 51        |
| 3.3.2.2. Country risk/Demand uncertainty .....                               | 52        |

|  |           |
|--|-----------|
| 3.3.2.3. Market size and growth .....  | 52        |
| 3.3.2.4. Direct and indirect trade barriers .....                                  | 52        |
| 3.3.2.5. Intensity of competition.....   | 53        |
| 3.3.2.6. Small number of relevant intermediaries available .....                   | 53        |
| <b>3.4. INTERNATIONALIZATION MOTIVES .....</b>                                     | <b>54</b> |
| 3.4.1 PROACTIVE MOTIVES.....   | 55        |
| 3.4.1.1 Profit and Growth Goals.....   | 55        |
| 3.4.1.2 Managerial Urge .....  | 56        |
| 3.4.1.3 Technology Competence or Unique Product.....                               | 56        |
| 3.4.1.4 Foreign Market Opportunities or Market Information .....                   | 57        |
| 3.4.1.5 Economies of Scale .....   | 58        |
| 3.4.1.6 Tax Benefits .....   | 58        |
| 3.4.2 REACTIVE MOTIVES .....   | 59        |
| 3.4.2.1 Competitive Pressures .....  | 59        |
| 3.4.2.2 Domestic Market: Small and Saturated .....                                 | 60        |
| 3.4.2.3 Overproduction or Excess Capacity .....                                    | 60        |
| 3.4.2.4 Unsolicited Foreign Orders .....   | 61        |
| 3.4.2.5 Extend Sales of Seasonal Products .....                                    | 61        |
| 3.4.2.6 Proximity to International Customers or Psychological Distance .....       | 61        |
| <b>4. PESTEL ANALYSIS OF AUSTRIA (Ebru Aktas) .....</b>                            | <b>63</b> |
| 4.1. Political Factors.....  | 63        |
| 4.2. Economical Factors .....  | 65        |
| 4.3. Social Factors .....  | 70        |
| 4.4. Technological Factors .....   | 71        |
| 4.5. Environmental Factors .....   | 73        |
| 4.6. Legal Factors.....  | 77        |
| <b>5. FOOD AND BEVERAGE INDUSTRY (Ebru Aktas) .....</b>                            | <b>79</b> |
| 5.1. General Overview of Food and Beverage Industry .....                          | 79        |
| 5.2. Food and Beverage Industry in Austria.....                                    | 80        |
| <b>6. RESEARCH DESIGN AND METHODOLOGY (Ebru Aktas &amp; Nelofar Yeasmin) .....</b> | <b>95</b> |
| 6.1. Motivation .....  | 95        |
| 6.2. Objectives of the research .....  | 95        |
| 6.3. Research Questions .....  | 96        |
| 6.4. Research Approach: Qualitative and Quantitative Research.....                 | 96        |



|  |            |
|--|------------|
| 6.5. Data Collection Method .....                                      | 96         |
| 6.6. Measurement .....   | 97         |
| 6.7. Sample Selection .....  | 98         |
| <b>7. RESEARCH FINDINGS (Ebru Aktas &amp; Nelofar Yeasmin) .....</b>   | <b>100</b> |
| 7.1. Demographics.....   | 100        |
| 7.2. Market Entry Decision .....                                       | 104        |
| 7.2.1. Choice of Entry Mode .....                                      | 104        |
| 7.2.2. Main Motives for Entering Austria .....                         | 106        |
| 7.2.3. Current situation in Austria .....                              | 108        |
| 7.2.4. Difficulties while Entering into Austria .....                  | 109        |
| 7.2.5. Difficulties Faced at Present.....                              | 110        |
| 7.2.6. Expectation from the Business .....                             | 111        |
| 7.3. Factors Influencing the Market Entry Decision .....               | 112        |
| 7.3.1. Factors Influencing the Market Entry Decision in General.....   | 113        |
| 7.3.2. Factors Influencing the Market Entry Decision for Austria ..... | 117        |
| 7.4. Internationalization Motives .....                                | 121        |
| 7.4.1. Internationalization Motives in General .....                   | 121        |
| 7.4.2. Internationalization Motives for Austria .....                  | 126        |
| 7.5. Additional Findings.....  | 131        |
| <b>8. CONCLUSION AND RECCOMENDATIONS (Ebru Aktas).....</b>             | <b>134</b> |
| 8.1. Conclusion.....   | 134        |
| 8.2. Recommendations .....   | 143        |
| <b>9. LIMITATIONS AND FURTHER RESEARCH (Ebru Aktas) .....</b>          | <b>144</b> |
| 9.1. Limitations of the research .....                                 | 144        |
| 9.2. Suggestions for Further Research.....                             | 145        |
| <b>APPENDIXES .....</b>  | <b>147</b> |
| <b>REFERENCES .....</b>  | <b>154</b> |

# LIST OF FIGURES & TABLES

## Figures:

|   |     |
|---|-----|
| Figure 1: The basic mechanism of internationalization: state and change aspects I.....  | 27  |
| Figure 2: The basic mechanism of internationalization: state and change aspects II..... | 28  |
| Figure 3: An example of an International Network .....                                  | 32  |
| Figure 4: The life-cycle benefits of licensing .....                                    | 40  |
| Figure 5: Major motives for starting export.....  | 55  |
| Figure 6: Economic Growth 1990-2015 (change in real GDP (in %)).....                    | 66  |
| Figure 7: Austria GDP per Capita PPP .....  | 67  |
| Figure 8: Austria Imports (Imports by month (EUR Million) .....                         | 68  |
| Figure 9: Austria Exports (Exports by month (EUR Million) .....                         | 68  |
| Figure 10: Food and Beverage Industry Data, 2011 .....                                  | 83  |
| Figure 11: Food and Beverage Industry Data, 2012 .....                                  | 84  |
| Figure 12: Market Entry Modes for New Market .....                                      | 105 |
| Figure 13: Market Entry Modes for Austria .....   | 106 |
| Figure 14: Expectation from the Business .....  | 111 |
| Figure 15: Factors influencing the market entry decision in general .....               | 114 |
| Figure 16: Factors influencing the market entry decision in Austria .....               | 118 |
| Figure 17: Internationalization motives in general .....                                | 125 |
| Figure 18: Internationalization motives in Austria .....                                | 128 |
| Figure 19: Number of MNCs in Austria .....  | 131 |
| Figure 20: Product categories .....   | 132 |
| Figure 21: Number of MNCs abroad .....  | 132 |

## Tables:

|  |     |
|--|-----|
| Table 1: Balance of foreign trade and percentage of country groups.....                          | 69  |
| Table 2: Food and Beverage Industry Production Index , Quarterly Growth.....                     | 86  |
| Table 3: Investment inflow to country "Austria" in the sector "Food beverages and tobacco" ..... | 87  |
| Table 4: Import procedure in Austria.....  | 91  |
| Table 5: Customs Duties and Taxes on Imports .....   | 92  |
| Table 6: Region of Operation.....  | 100 |
| Table 7: Type of Products and Number of Brands .....   | 101 |
| Table 8: Year of Establishment .....   | 101 |
| Table 9: Country of Origin .....   | 102 |
| Table 10: Number of Employees.....   | 103 |
| Table 11: Revenue (2013) .....   | 103 |
| Table 12: Market Share.....  | 105 |
| Table 13: Importance of factors influencing the market entry decision in general.....            | 115 |
| Table 14: Summary of factors influencing the market entry decision in General.....               | 116 |
| Table 15: Importance of factors influencing the market entry decision in Austria.....            | 119 |
| Table 16: Mean value of factors influencing the market entry decision in Austria .....           | 120 |
| Table 17: Importance of internationalization motives in general.....                             | 124 |
| Table 18: Mean value of internationalization motives in general.....                             | 126 |
| Table 19: Importance of internationalization motives in Austria.....                             | 128 |
| Table 20: Mean value of internationalization motives in Austria.....                             | 130 |

# 1. INTRODUCTION

Due to the effect of globalization and the huge development of information technology the distance among nations is shrinking and many new opportunities are developing. The nations are also opening the door of free trade that is also showing many companies the way to grab the opportunity and enter into new markets to expand the wings of their business.

The proponents of globalization proclaim that globalization has infinite potential for the development and welfare of the mankind. So it is an irreversible and inevitable process and that's why one should try to make the best of it. Other side, the opponents think that globalization is actually an evil that drive the poor countries back to their colonial days (Das, 2001, p. 1). Even though, there are two different points of view but no one can avoid the blessings of globalization.

Globalization has huge impact on trade. The abundance of supply from different sources makes the consumers as well as the companies to have better quality products at competitive price. Free trade is allowing the companies to have the higher quality machineries which are ultimately increasing the production capacity (Das, 2001, p. 14). Lee (1995) mentioned that there exists good verification that international trade has positive impact on economic growth by facilitating capital accumulation, advancing the structure of industry, technological improvement and institutional enlargement; specifically, augmented imports of intermediate products that are not accessible in the home market may hinder the growth in productivity of manufacturing (Sun & Heshmati, 2010). According to Wagner (2007), when there has been more active contribution in the international market in a way of endorsing exports lead to more concentrated competition and advance in terms of productivity (Sun & Heshmati, 2010). People around the world are also enjoying the facility of highly developed infrastructure, particularly in the area of transportation and communication (Das, 2001, p. 14).

It would be wise for the companies to realize the effect of globalization in the majority of markets and adopt a global perspective, identifying competitors, new products and opportunities (Chee & Harris, 1998, p. 3). The success for the future does not come if a company only takes the national market into consideration in strategic planning of its

marketing operations. The global marketplace should be taken into consideration for effective and efficient marketing.

This indicates a greater attention to issues related to business strategy and performance in global markets (Douglas and Craig 1983). That's why many companies endeavor to enter into foreign market and struggles to maintain their place in the markets they are existing, while for others it is a new confront that they have to deal with. This confront, is known as market entry which encompasses of three principal decisions: The first one is "which markets to enter", the second is "when to enter" and the final major decision is "how to enter into different markets".

Peng (2006) had mentioned that some companies are forced to internationalize in the early phases of their business due to some of the special reasons such as having a small saturated home market, while other companies prefer to penetrate into foreign markets because of the great opportunities that those markets might bring (Ovcina, 2010). But it's not an easy task for a company to enter into a new foreign market and pursue a successful business in this market. International marketing becomes a vital issue for companies and organizations. The broader view of developments definitely makes the picture more complex, fractured and unfamiliar compared to marketing within a national (home) market (Chee H. & Harris R., 1998, p. 3). It is important for the companies to understand the needs and wants of the targeted and potential customers and the dynamics of the market and takes advantage of the strength and competencies of the company to turn this into something profitable activity (Chee H. & Harris R., 1998, p. 9). It comes after a company successfully penetrates into the market with a well-structured strategic plan. According to Root (1994), market entry mode selection is one of the most vital strategic decisions for Multi National Companies (MNCs) (Zhao, 2005). He also mentioned that it effects future assessments and performance of companies in overseas markets, and it requires sufficient level of resource commitment which is difficult to convey and adapt from one to another market (Zhao, 2005). There are enormous forces for firms to be inclusive of international business and run their business in foreign markets in order to endure; at the same time, participating in the global market place is rewarding, but firms need to be prepared and adjust to the needs and wants and occasions in international markets (Root, 1994). This entails an in-depth analysis of potential country markets and developing parameters to guide their choice of entry strategies (Chee H. & Harris R., 1998, p. 261).

After entering into the European Union in 1995, Austria became one of Europe's premier economies and began to allure foreign investors to invest because of its regional position as having advantage of easy access to Central and Eastern Europe. Alongside its welfare economy, Austria is renowned for its rich history and its cultural contributions to music. An extensive understanding of Austrian social and business culture is virtual for anyone willing to take advantage of Austria's attractive market (ABA Invest In Austria, 2013).

Austria is closely linked to other EU economies with its well-developed and well-structured economy, accomplished labor force, and high standards of living (Index Mundi, 2013). Austria comprises a huge service sector, developed industrial sector, and a small, but well developed agricultural sector (Index Mundi, 2013). That's why for foreign investors Austria became attractive market as an ideal starting point for a profitable business in Central Europe.

Food and beverage is one of the prosperous sectors among all other sectors in Austria. The Austrian food and beverage manufacturers are both well known in the European and in international markets with their unique and high quality products. The key factors for the success of Austrian food and beverage industry are skilled staff, constant innovation in products and production method, and professionally managed brands (Advantage Austria, 2013). The sector with the highest revenue includes; confectionery, beer, soft drinks, meat products and fruit juice. Along with national market, some Austrian companies are also dominating other parts of world. For example, Redbull, a global brand that is actually originated in Austria and Thailand is present in 160 countries around the world and approximately 4.6 billion units of energy drinks are sold worldwide every year (Advantage Austria, 2013). Agrana is the biggest supplier of sugar and glucose in Central, Eastern and South-Eastern Europe and owns 56 facilities around the world (Agrana, 2014). At the same time, the world recognized multinational companies like Unilever, Proctor & Gamble, Nestle, Pepsi, Coca-Cola, Danone are operating successfully in food and beverage industry for longer period of time in Austria. Along with those companies the companies like Mondalez, Lindt, Lactalis, Bolton group, Leibniz, Bel group, Strock, Barilla are also not lagging behind in Austrian market with their products.

Now it is important to know how these multinational companies are doing beyond national boundaries in different market environment like Austria. There is not any existing work, which actually focused on market entry strategies of MNCs in food and beverage sector in Austria. Therefore, an initiative through this thesis has been taken to explore the food and beverage industry of Austria and to analyze the market entry strategies of Multinational Companies (MNCs) in this sector.

The whole research paper has been divided into nine chapters. Chapter 1 is introduction where the background of the research has already been discussed. Literature review has been handled in Chapter 2, where the previous researches related to our research contents have been discussed briefly. Chapter 3 shows the theoretical background, where all the necessary literature have been described in details because each content of this part is very closely related to the background of this research. Theoretical background consists of internationalization process, international market entry modes, factors influencing market entry decision, internationalization motives. Chapter 4 is about PESTEL analysis of Austria, and general information about food and beverage industry as well as Austria's food and beverage industry have been discussed in Chapter 5. In Chapter 6, research background and methodology have been described precisely. Chapter 7 is one of the most important parts of whole research, as the final research findings have been summarized here. On the basis of Chapter 7, conclusion and recommendation have been given in Chapter 8. Finally in Chapter 9, it has been designed to discuss the limitations of the research and make suggestions for further research.

## **2. LITERATURE REVIEW**

The expansion of liberalization, increase in free trade agreements among countries, the boom of technological developments and emergence of the new markets generated powerful economic forces which drove national economies through a highly integrated transnational economy.

In this case, enterprises desire to enter into foreign markets in order to increase their market share, leverage their core business for growth and expand their business overseas. Therefore, enterprises try to find new ways to need to survive and consolidate their position in high competitive environment and grow through international and global operations.

As a consequence, they discover opportunities to attain an advantage over competitors and expand beyond the limits of the domestic markets. Because of this reason, market entry strategies became prominent issue for business environment, business academics and practitioners in order to help the enterprises decide how to approach foreign expansion.

However, the choice of market entry strategies has been a hot topic of the internationalization strategy for many years and many empirical studies have focused on this issue, unfortunately there is inadequate information about market entry strategies of multinational companies in food and beverage industry not only for Austria but also for other countries. So, this research handled this topic in general perspective but discussed the studies which are the most relevant to the topic of this research.

For many researchers, selection of right market entry mode has been perceived as one of the most pivotal issues in the internationalization process of companies (e.g., Wind & Perlmutter, 1977; Anderson & Gatignon, 1986; Hill et al., 1990; Quer et al., 2007; Brouthers & Hennart, 2007).

A firm needs to evaluate and integrate a wide range of management concepts and find appropriate conceptual frameworks in order to respond to minimum two fundamental issues in its internationalization process:

(1) Where to internationalize (foreign market selection)

(2) How to internationalize (entry mode selection). (Johanson & Vahlne, 1977).

Papadopoulos and Jansen (1994) stated that the concept of foreign market selection and entry mode selection differs from each other. With respect to their perspective, foreign market selection comes first and then a firm should create market entry mode.

Hence, Azar (2014) disagrees to Papadopoulos and Jansen's (1994) notion and focuses on primarily, the choice of foreign markets rather than the second question, and concentrates upon market entry mode of exporting which is known as one of the most common used strategies while penetrating into new international markets (Stottinger & Schlegelmilch, 1998; Constanza & Garcia 2007), especially within the food sector (Benito & Strøm, 2000). One of the salient challenges that the firms are facing in the foreign market selection phase come across within the decision making process of their economic and strategic aims by taking into consideration of their existing resources and financial and organizational capabilities and look for whether they are met or not (Root, 1998; Brewer, 2001; Papadopoulos et al., 2002; Lorentz, 2008; Johnson, Whittington, & Scholes, 2011). Internal and external factors have impact on the process of foreign market selection. International experience can be assumed as an internal factor that has a great influence on the firm's of foreign markets' selection (Andersen & Buvik, 2002; Whitelock & Jobber, 2004; Constanza & Garcia, 2007), the firms which have superior international experience are most likely to target markets considerably differ themselves from domestic market in which they can procure better performance and increase efficiency (Andersen & Buvik, 2002; Evans et al., 2008, Evans & Mavondo, 2002).

Some of the researchers have different point of view in the choice of entry mode, Dawson et al. (2009), Peng (2006), Hollensen (2004), and Lasserre (2007) indicated that there exist three fundamental questions that should be responded:

(1) Where to go;

(2) When to enter into that specific market;

(3) How to penetrate into that specific market (Dawson et al., 2009; Lasserre, 2007; Hollensen, 2004; Peng, 2006).



Especially, the third question plays a crucial role for requiring a study of entry modes. Hollensen (2004), Peng (2006) and Lasserre (2007) encompass this notion from a general perspective; hence their research on market entry mode is appropriate to give a general overview for future survey that many researchers used their studies as a base.

A vast amount of studies have referred to various elements of market entry strategies of new enterprises in their academic enquiries (Gruber, MacMillan, & Thompson, 2008; Levesque, Shepherd, & Le, 2004; Robinson & McDougall, 2001; Wesson & De Figueiredo, 2001). Some studies have emphasized a single aspect of market entry strategies or growth of a new firm (Davila, Foster, & Gupta, 2003; Hellmann, Hellman, & Puri, 2000).

Some of the studies conducted research about market entry strategies of new firms in developed and developing economies, such as Klapper et al. (2004), Djankov et al. (2002), Caves (1998), Tybout (2000), Geroski (1995), and Bartelsman et al. (2004). In recent years, main concern of international business researchers, economists and academicians is focusing on emerging markets that the studies on emerging markets are larger than the developing markets.

Apart from the approaches mentioned above, some of the literature (Brouthers 1995; Buckley and Casson 1998; Taylor et al. 2000; Tse et al. 1997), maintain this issue in different manner; market entry strategy and entry mode are interchangeably used by them.

Dunning (1988) resumes the market entry literature that there are three main factors which clarify the cross-national activities of firms. Initial factor involves the types of assets that can be imposed upon or attained to acquire competitive advantage by operating across different countries explain *why* firms go abroad. Latter includes the features of a specific location that make it attractive as a place to build up operations explains *where* they would go. Last factor comprises the advantages of internalizing foreign subsidiaries via equity ownership rather than utilizing weaker governance modes (such as licensing) explain *how* they manage foreign activities.

Anderson, et al., (1986) mentioned about the challenges occurred in the choice of market entry mode and designated their dissatisfaction with their academic research. Their reclaim originated from their research results. They found out that optimal entry

strategy only works with a single case study, but this optimal strategy cannot be generalized. In order to find different results, they put into practice their strategy many times, but they reached the same conclusion.

Djankov et al. (2002) investigated the impacts of governmental regulations on market entry of start-up companies. Their study conducted in 85 countries with the data comprised with the number of methods, official time and official costs required for starting a new business. According to their results, in terms of market entry, countries with heavier regulations have higher levels of embezzlement and broader unofficial economies. Conversely, countries with lighter entry regulations have higher degree of democratization and limited governmental restrictions. This finding also remains same in the mean time of controlling for economic development. As a consequence, they defended an opinion that market entry regulations are beneficial to corrupt politicians and bureaucrats and startup companies might benefit from this situation.

Erramilli & Rao (1990) handled choice of foreign market entry modes in service industry. Their study tried to clarify the types of entry mode strategies used in service industry regarding to the unique characteristics of service firms. In their study the researchers used “market knowledge” as predictive factors of market entry mode selection. As a consequence, their study represents that when the service firms have superior market knowledge, they have tendency to be more aggressive in their market entry mode selection.

Morschett et al. (2010) analyzed the data from 72 independent primary studies which are done in previous by aiming to find out the external antecedents of the choice of entry mode. In their study, they centered upon the decision between wholly-owned subsidiaries and cooperative entry modes. As a result, they explored that there is a positive association between power distance as a cultural attribute of the firm’s home country and the desire to assemble a wholly owned subsidiary. On the other side, they remarked that the relationship between legal limitations, country risk, market growth, market size and the preference for wholly owned subsidiaries are observed in a negative way. Apart from all of these they investigated the interrelation between the host country’s income level and market entry mode with respect to a deep research along different industry type. Consequently, they found out that especially income level and wholly owned subsidiaries are negatively correlated when considering companies in

service industry, but they surmised that there is a positive relationship between the issues that already mentioned for service companies.

Calantone (2010) investigated the affects of business environment in the early phase of market entry decisions by business-to-business (B2B) managers in the U.S. and Japan. They evolved a decision making practice animating the decisions in the early market entry phase and so that they generated several propositions in order to test them with managers in medium to large business-to-business (B2B) firms from U.S. and Japan. According to their results, there are differences in the mental models of managers of both countries when deciding the entry mode that will be implemented in the foreign market. For Japanese managers, buyer power plays pivotal role and have a great impact during the decision making process when making an early market entry, while threat of entrance of new firms have broader effect for U.S. managers. By the way, they realized numerous areas of agreement between U.S. and Japanese managers. They finalized the study with giving some important theoretical deductions and advices to B2B managers.

Polesello et al. (2013) examined the determinants of international entry mode choice by taking an example of Brazilian multinational companies by making a case study with a qualitative approach. The reason of taking Brazilian company as an example is that having lack of information on Brazilian multinational companies in foreign markets. Their study based on an eclectic approach of Peng's (2009) "Strategy Tripod" which consists of three main factors: the company's resources, institutions and industry. Their results represented that all dimensions of Peng's (2009) eclectic approach were appropriate, with particular emphasis on the role of networks as an influential factor in the decision phase of which market entry mode will be used in the mean time of entering into foreign markets.

Dahlen et al., (2003) handled market entry strategy in transition countries. A case study was conducted with Swedish firms in order to give insights about which market entry mode should be used, when they enter in transition countries. Their main aim was to become pioneer research for the future researches on transition countries by explaining the drivers to pierce transition countries, market entry strategies manipulated to enter transition countries, the dynamics that are effecting entry strategy decision, and challenges that firms face in by the time entering transition markets. In order to reach this purpose, Their remarkable results are that the most distinctive driver to penetrate

transition countries is the potential growth of the market, the most appropriate and common used market entry mode strategy is accepted as joint venture, the most salient factor effecting the selection of market entry mode is the legal framework, and the main challenge that companies come across is the socialist legacy.

Ibañez (2013) reviewed market entry strategy in the Moroccan market in order to guide firms to enter this market with the right market entry strategy with analyzing both internal and environmental factors influencing the choice of entry mode. The study conducted a qualitative data analysis with the commissioning company Construcción de Invernaderos El Parador S.L. by making an interview with the director of the company due to investigate the present condition of the company. On the other hand, the research used secondary data in order to give opinion about the Moroccan market. The findings of the research indicated important suggestions before entering this market.

Kirsch et al. (2000) focused on the market entry strategies of professional service firms into emerging markets and endeavored to learn how these firms develop and expand their business in emerging markets. Their main focal point was the Big Six international accounting firms; the research information is gathered from the Big Six with regard to their penetration of the People's Republic of China, the Commonwealth of Independent States, and Central Europe. A conceptual framework was implemented to identify the interaction between a firm's specific characteristics, the foreign environment, and foreign subsidiary organizational structure. The research deduced that growth potential, customer needs and wants, favorable political/legal environment, and cultural assessments are prominent determinants in deciding market entry and growth tactics for professional services firms.

Johnson & Tellis (2008), attempted to make a contribution to the literature on market entry strategy by examining the drivers of success for market entry into major emerging markets: China and India. They used a historical analysis of market entry by carefully assembling, critically examining, and summarizing the records of the past in order to understand the success or failure of a firm's entry occurs. Their findings indicated that market entry strategies which have high control (e.g., wholly-owned subsidiaries) are more successful than those that have low control (e.g., licensing). Also they found out that the firms which are smaller incline to achieve success in the market than the larger firms entering emerging markets. Another finding of their study is similar with the

previous researches that the drivers of success only works with a single case study it cannot be generalized and the same drivers cannot be implemented to every country.

A solid framework was established by Agergaard (2010) in order to shed light to the firms how to procure a successful market entrance into Brazil by giving a case study of four Danish owned multinational companies with production in Brazil. In the study, a wholly owned production subsidiary was focused on account of being the most challenging market entry mode is to the Brazilian market. The study used a *Multiple Case (Holistic) Design* approach to answer its research questions. By the way, a holistic approach was used to clarify the external factors and internal factors to make successful entrance to the Brazilian market. In addition to those, Miles and Snow's Adaptive Cycle was proposed to the Danish companies which will yield them to generate effective and rational market entry strategy to become successful in Brazilian market when starting a wholly owned production subsidiary in the country.

Ovcina (2010) analyzed the internationalization process and plausible issues concerning with market entry and expansion strategies by conducting a case study. The research was attributed to an inductive approach and focused on Wal-Mart's entry and expansion strategies into the emerging markets of Latin America. Moreover, the research appraised the drawbacks facing developed country firms with their market entry and expansion strategies in emerging markets.

Pelle (2007) and Cavusgil et al. (2002) assessed market entry modes in emerging countries, but Dawson et al. (2006) and Alexander and Doherty (2009) comprised the same issue from a retailer approach.

Al Kaabi et al. (2010) examined strategic motives, location selection and market entry strategies of multinational companies (MNCs) in emerging market by conducting a case study of telecom company which is called Qatar Telecom (Qtel) from the Gulf Cooperation Council. The study also included theoretical frameworks and previous researches about this issue in order to give broader aspects to the firms. The main objective of the study is to indicate the essential strategic drivers of Qtel's internationalization. The results demonstrated that Qtel manipulated separate market entry strategies due to the features of host country and operated better when they enter the markets by using market entry mode of mergers and acquisitions than Greenfield investments.

Kim & Hwang (1992) manifested the importance of global strategic considerations in selecting multinationals' entry mode in their research. Furthermore, they highlighted the prominence of each entry mode determinant while differentiating entry modes among themselves. Their findings showed that an impetuous consolidation of global strategic factors into an evaluation of the entry mode decision is assured.

Especially, in the literature it is discussed that an MNC's market entry choice is assigned by the factors as follows:

- “Risk associated with the policy and business environments of the host country and market potential of the host country (Kogut and Singh, 1998b; Barbosa and Louri, 2002).
- Cultural distance between the host country and the country of origin of the MNC (Kim and Hwang, 1992).
- The expected size of the operation in the host country (Gatignon and Anderson, 1998)” (Mushuku, 2006, p.18).

Schuster& Holtbrügge (2010) reviewed market entry of MNCs in low-income markets. They endeavored to find out how MNCs operate and sustain their business in these markets by pursuing a multiple case study approach and applying a model recourse to the internationalization process model of Johanson and Vahlne (1977). The findings of the study pointed out that MNCs advance knowledge by expanding their market entry mode to a new level that transcends local manufacturing and production facilities.

Cleeve (1997) addressed the market entry mode of MNC into foreign market or new market from a different viewpoint. He asserted that the fact of the market entry mode of MNCs is affiliated with the experience of MNCs with regard to existing in the country bearded upon and/or mostly speaking on its experience in counterpart countries.

Mutinelli & Piscitello (1998) examined the nature of MNCs' choice of market entry mode in foreign markets from an evolutionary perspective. The study particularly focused on the choice between a joint-venture and a wholly-owned subsidiary. According to their results, the resort to co-operative solutions and joint ventures let MNCs to decrease costs and uncertainty which is related with foreign markets, and increases if technological utilities, unstated abilities and core competencies establish an important resource of competitive advantage for the firm.

Panibratov (2010) discussed market entry strategies and early phase of entry decision of Russian MNCs on the basis of the company cases within particular industry. The study examined the effects of economic development of Russia on the internationalization process of Russian MNCs. The study also highlighted on the reasons of increase in the amount of MNCs in Russia and the outward Foreign Direct Investment (FDI) from Russia. The findings emphasized pivotal points to take into consideration to Russian MNCs and also gave important advices to the companies which are focused outward FDI.

Sun (1998), inquired an empirical research about market entry modes of MNCs into Chinese market from socioeconomic approach. The study also analyzed the effects of socio-cultural differences and innovative investment projects and regional determinants of MNCs' entry mode choice.

Schuh (2012) discussed the impacts of the global financial and economic crisis of 2008–2009 on market entry strategies of MNCs operating in Central and Eastern Europe.

Azar (2014) investigated market entry mode selection issue with different perspective. This study is more related to our research topic than the others. Because, the study conducted in twenty seven markets worldwide with ninety six Swedish food companies which are exporting. The study aimed to find out the influence of variation in food culture, “food culture distance”, as a forecaster during the selection of foreign market. The findings indicated food culture distance has positive effect on food exporters. When the perceived distance is superior in terms of food culture, the market becomes more attractive for food exporters to penetrate

Another research which is closer to our research topic is done by Stiegert et al. (2006). The study focused on market entry strategies of a food and beverage MNCs within the European Union and practiced intra-firm, socio-cultural, geographical-proximity, and political-stability variables to describe bimodal FDI model by them. The study checked the firm-level investment patterns between the years 1987–1998. The results represented that the 1992 constitutional alterations under the Maastricht Treaty raised the plausibility of wholly-owned FDI modes like green fields and buyouts. Furthermore, the findings of the study ensured important contributions and suggestions toward comprehending modal investment strategies comprising the role and impacts of macroeconomic changes within a custom union.

The last but not the least study which is related to market entry strategy is executed by Vignali & Curland (2008). But, the study of Vignali & Curland (2008) is different and more important from other researches for this study, because they conducted similar study by analyzing Austrian market in terms of market entry strategy. The difference of this research from our study is that Vignali & Curland (2008) focused on only for a Polish Vodka manufacturer who had desire to enter into the Austrian market. They aimed to generate market entry strategy before entering Austria. Another purpose of the study is to comprehend the theoretical models of international marketing and key issues that should be taken into consideration when entering a foreign market. After examining Austrian market and analyzing the current factors and business environment, a well established detailed SWOT analysis could be created by them. The Polish Vodka manufacturer could be able to acquire the required information in the decision phase of the segmentation, targeting, positioning and finally the selection of the right entry method, involving the customer specific marketing tools.



## **3. THEORETICAL BACKGROUND**

### **3.1. INTERNATIONALIZATION PROCESS**

This part of the research explains the internationalization process of multinational company. Before getting into the main discussion regarding internationalization or market entry, it will be convenient for the readers to get all the information in a structured platform. This part will help the companies to better understand the process of internationalization and will lead the companies to choose a very conducive way to expand the business into international markets.

Throughout the years the internationalization process has been discussed from different perspectives. Johanson and Vahlne (1977, 2009) have explained the widely recognized Uppsala internationalization process model as international marketing has been disputed because of theoretical and methodological limitations. Andersen O. (1992) has also tried to analyze the shortcomings based on principles of theory evaluation. In 1997 Eriksson, Johanson, Majkgaird, and Sharma tried to identify and delineate components of experiential knowledge in the internationalization process by using a behavioral approach. Schweizer (2010) examined the explanatory power of Lindblom's muddling-through concept, where he focused on the internationalization processes of SMEs' by exploring the fundamental rationality of decisions made. Recently Casillas and Moreno-Menéndez (2013) attempted to describe the speed of international operations on the basis of learning which was acquired in the course of past international activities by evaluating internationalization as a dynamic process.

The internationalization process has also been discussed focusing on different industry in different countries. Khurana & Talbot (1998) compared Internationalization theories & descriptive models of basic roles of international factories through a complete evaluation of data on plant practices and performance in the global picture tube industry. Where Pogrebnyakov & Maitland (2011) tried to integrate the institutional lens to the internationalization process model and understand whether the internationalization process of service companies (especially mobile operators in Europe and South America) is not the same with the predicted behavior which is expected from the model that was developed for the manufacturing context. Following

two very famous internationalization processes; the Uppsala Internationalization Model developed by Johanson, Vahlne and Wiedersheim-Paul and The Innovation-Related Internationalization Models will be discussed briefly.

### **3.1.1. The Uppsala Internationalization Model**

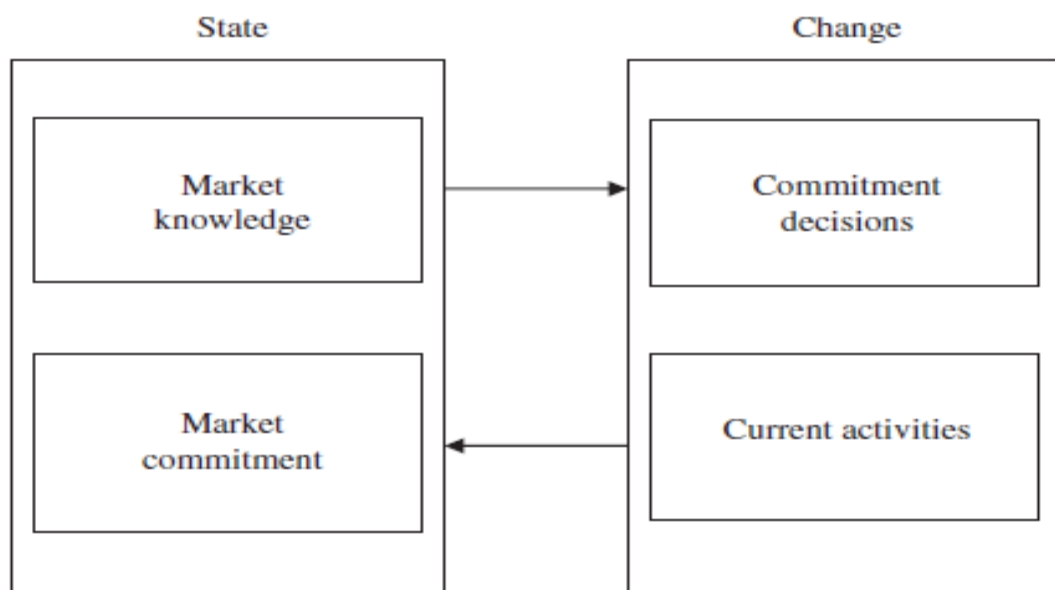
According to Hood & Young (1979) based on market characteristics and their own resources firms select the most optimal mode for entering a market by evaluating their potential costs and risks. The database that had been created based on the observations of Swedish-owned subsidiaries overseas, and also from a several number of researches of Sweden based companies in international markets, they suggested the following four successive stages which represent higher level of involvement in international environment (Johanson & Vahlne, 2009; Andersen, 1992):

1. “No regular export activities.
2. Export via independent representatives.
3. Establishment of an overseas sales subsidiary.
4. Overseas production/manufacturing units.”

The above mentioned chain has been labeled as *establishment chain* where the companies formalize through the deals with intermediaries, as sales grows they replaced their agents with their own sales organization and as the growth in sales continues the companies begin manufacturing and operating in foreign market to basically prevail over the main trade barriers (Johanson & Vahlne, 2009). Internationalization also frequently starts in new foreign markets which have close distance with the domestic market or it can also be said as *psychic distance* (Johanson & Vahlne, 2009), and it was hypothesized that thereafter firms would penetrate these markets with successively greater psychic distance (Andersen, 1992). This process is also integrated with *liability of foreignness* which is conceptualized as the disadvantages for example some certain unavoidable costs that foreign firms face while operating in host markets that companies operating in their own home environment do not (Hymer, 1976). Johanson & Vahlne (2009) also hypothesized the larger the psychic distance the larger is the liability of foreignness.

Johanson & Vahlne (1977) formulated a dynamic model to clarify the incremental property of internationalization process. In this model the outcome of one decision constitutes the input of the next. It consists of two change mechanisms; change and state aspects. The decisions which allocate resources and performance of existing business activities are *the change aspects*, where the *state aspects* reflect “resource commitment to the foreign markets, and knowledge about foreign markets and operations” (Johanson & Vahlne 1977, p.26).

**Figure 1: The basic mechanism of internationalization: state and change aspects I**



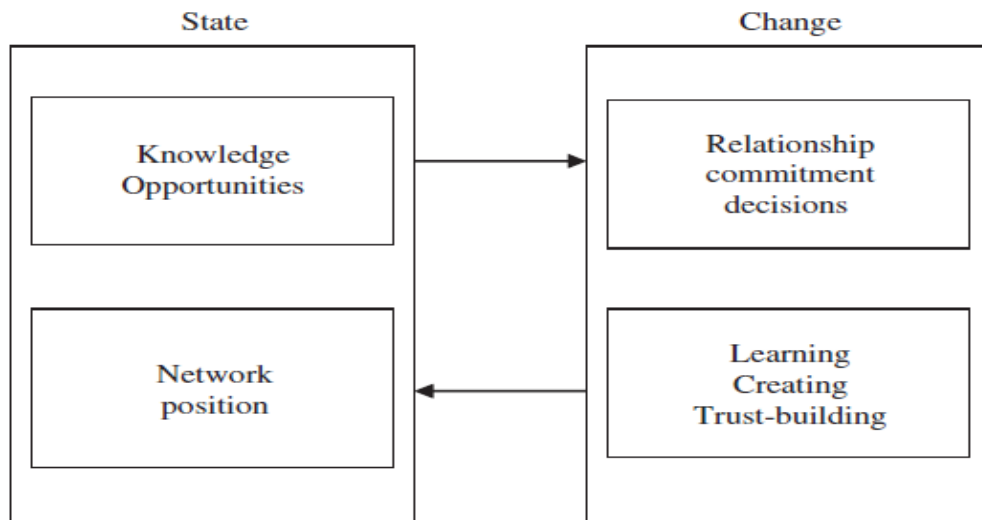
Source: Johanson & Vahlne, 1977, p.26

The first thing is that firms alter by experiencing with their operations and current activities in the foreign markets where they are operating. The second one is that there occurs a change with the commitment decisions which they endeavor to make more stable, competitive and stronger position in the foreign market. “Experience builds a firm’s knowledge of a market, and that body of knowledge influences decisions about the level of commitment and the activities that subsequently grow out of them: this leads to the next level of commitment, which engenders more learning still” (Johanson & Vahlne 2009, p.1412).

In 2009 Johanson and Vahlne revisited the model established in 1977 and proposed a new model and made some slight changes. *Market knowledge* concept has been turned into *knowledge opportunities* or recognition of opportunities considering opportunities

to be the essential part of the body of knowledge that compels the process (Johanson & Vahlne 2009). The place of *market commitment* has been changed with network *position* assuming that the internationalization process is pursued within a network (Johanson & Vahlne, 2009).

**Figure 2: The basic mechanism of internationalization: state and change aspects II**



Source: Johanson & Vahlne, 2009, p.1424

On the other hand, to make the result of current activities clearer, *current activities* has been relocated with learning, *creating and trust building*. They have made the affective measurement of trust-building more explicit than the one the earlier model and highlighted opportunity creation, which is a knowledge-producing dimension, because developing opportunities is a crucial part of any relationship (Johanson & Vahlne 2009). Finally, relationship commitment decisions have been modified from the original model. This implies that the main firm decides either to increase or decrease the level of commitment to one or several relationships in its network (Johanson & Vahlne 2009).

### 3.1.2. Innovation-Related Internationalization Model (I-Model)

The decision to internationalize is assumed as an innovation for the firm. The models have been developed from Roger's stages of the adoption process. The Innovation-Related Internationalization Model (I-Model) considers internationalization is a process with several steps where the steps are similar to that of a new product adoption (Rogers 1962, p.81-86).

Later this model was followed by several researchers (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981) who believe that internationalization decision is an innovation for the firm (Lin, 2010, p.5). Therefore, it provides another new point of view of the incremental progress of internationalization. Bilkey and Tesar (1977) and Czinkota (1982) explained that the firm is not eager to sell overseas at Stage 1, but has an interest to fulfill unsolicited orders at Stage 2, which formulate it as a sensible issue to consider that there must exist some “push” mechanism or external change agent that instigates the export decision (Andersen, 1993, p.213). According to Cavusgil (1980) and Reid (1981) the firms are much more active during the early stages. They have manifested a “pull” mechanism or internal change agent as more relevant and explained the reasons behind the moves of the firms to the next stage (Andersen, 1993, p.213).

Leonidou and Katsikeas (1996) have generalized the process of I-Models into three different stages:

- Pre-export stage: The interests of organizations prevail only in domestic market; they search for information and evaluate the possibility of export activities; they might have exported on limit basis and then they don't export any more.
- Export trail stage: The enterprises initiate to export irregular basis when it has the ability to expand its activities in overseas markets.
- Advanced export stage: The enterprises export regularly with vast exporting experiences to foreign markets and consider other forms of market entry modes for other markets (Lin, 2010).

Andersen (1993) considered both the Upsala and the I-models as behaviorally oriented. According to him “based on the arguments by the authors, the gradual pattern of the firm's internationalization process can mainly be attributed to two reasons: (1) The lack of knowledge by the firm, especially ‘experiential knowledge’, and (2) Uncertainty associated with the decision to internationalize”.

### **3.1.3. The Transaction Cost Theory**

The basic foundation of transaction cost theory has been first described by Coase in 1937 (Geyskens, Steenkamp, & Kumar, 2006, p.519). According to the authors Coase described markets and hierarchies as substitute governance structures in his article named “The Nature of the Firm”. He argued that a firm will be able to grow until the cost of executing a transaction through an exchange on the open market will become equal to organizing the same transaction within the firm (Geyskens, Steenkamp, & Kumar, 2006, p.519).

Simply “this theory predicts that a firm will internally perform those activities it can undertake at lower cost through establishing an internal (hierarchical) management control and implementation system while relying on the market for activities in which independent outsiders (such as export intermediaries, agents or distributors) have a cost advantage” (Hollensen, 2010, p.77).

“If the transaction costs (defined above) through externalization (e.g. through an importer or agent) are higher than the control cost through an internal hierarchical system, then the firm should seek internalization of activities, i.e. implementing the global marketing strategy in wholly owned subsidiaries. More simply: if the friction between buyer and seller is too high then the firm should rather internalize, in the form of its own subsidiaries” (Hollensen, 2010, p.79).

But this theory was not beyond its limitations. As Masten Scott et al. (1991, p.17) argued that, as a consequence of complexities in observing and measuring transaction costs, the analysts have had to depend on estimations of reduced form relationships between observed characteristics and organizational forms. The absence of direct measures of transaction costs, a non-transaction cost clarification might also be feasible in this case (Masten, 1996).

Williamson’s work has also been criticized by Ghoshal and Moran (1996). According to them, the theory is having too narrow assumptions of human nature (opportunism and its equally narrow interpretation of economic objectives). Sometimes firms are keen to build the trust or in reality they actually build strong relationship with their external

agents and distributors by making them partners (Hollensen, 2007, p.69). And this way the firms avoid huge investments in subsidiaries all around the world (Hollensen, 2007, p.69).

According to Hollensen (2007, p.70) the importance of transaction cost is overstated and that the importance of production cost has not been considered. He stated that production cost is the most critical cost of performing a particular task in the value chain. Williamson (1985) has also agreed the importance of production cost along with transaction cost and suggested that the most efficient choice of internationalization mode is one that will help the company to minimize both production and transaction costs.

#### **3.1.4. The Network Model**

The network is defined by Cook and Emerson (1978) as a connection of a group of relationships. According to them the enterprise extends its connection with other enterprises by establishing financial, technological and market relationships with other members of the network, thus gradually increases its activities to international markets until it becomes multinational company.

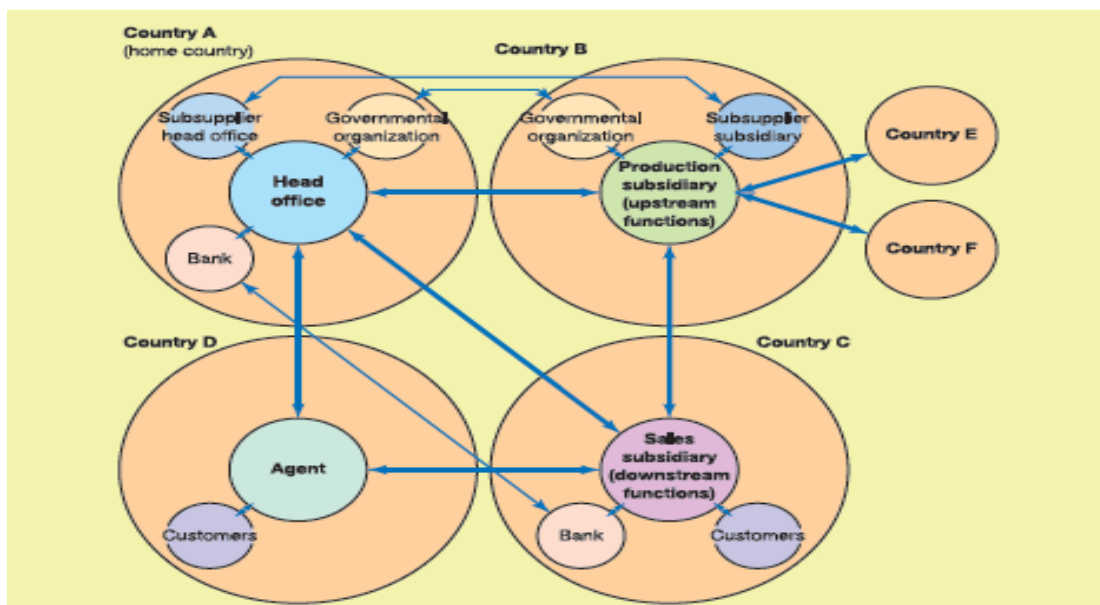
Hollensen (2007) mentioned that the network model differs from the market with regard to relations between players. “In a market model, actors have no specific relations to each other. The interdependences are regulated through the market price mechanism. In contrast, in the business network the actors are linked to each other through exchange relationships, and their needs and capabilities are mediated through the interaction taking place in the relationships”. (Hollensen, 2007, p.70)

The assumption of this model is that the individual firm is dependent on resources which are controlled by other firms; and through building network positions with other companies, it can get access to these external resources (Hollensen, 2007, p.70). A firm must establish and develop positions in relation to competitors in foreign networks, since the development of network takes time and depends on resource accumulations (Hollensen, 2007, p.70).

According to Johanson and Mattson (1988) internationalization process is developed by following three steps inside the network through business relationships with other countries: extension, penetration and integration (Lin, 2010, p.8). “Extension is the first step where the enterprises construct the network, either by itself or by attaching itself to an existing network. The enterprise will involve itself into new types of immaterial investment like information, contractual relationship and partnership that will connect the enterprise to its foreign partners. Penetration refers to the development of the enterprise’s position in the network and the increase of resource commitment. Integration implies an advanced step in which the enterprise links itself to several networks and the coordination between the different networks”. (Lin, 2010, p.9)

The network approach give a corresponding viewpoint to other internationalization models and predicts that internationalization strategies that are predetermined by the companies are affected by their situation and state in the network (Lin, 2010, p.9). As a result, the relations with the network can force, facilitate, and speed up process in companies’ internationalization (Lin, 2010, p.9).

**Figure 3: An example of an International Network**



Source: Hollensen, 2007, p.71



## **3.2. MARKET ENTRY MODES**

This part describes the market entry modes that have been considered for the research. The main objective of the research is to analyze the market entry modes of multinational companies, so it is very important to give a short overview of those entry strategies that are basically considered by the companies while entering into a new market.

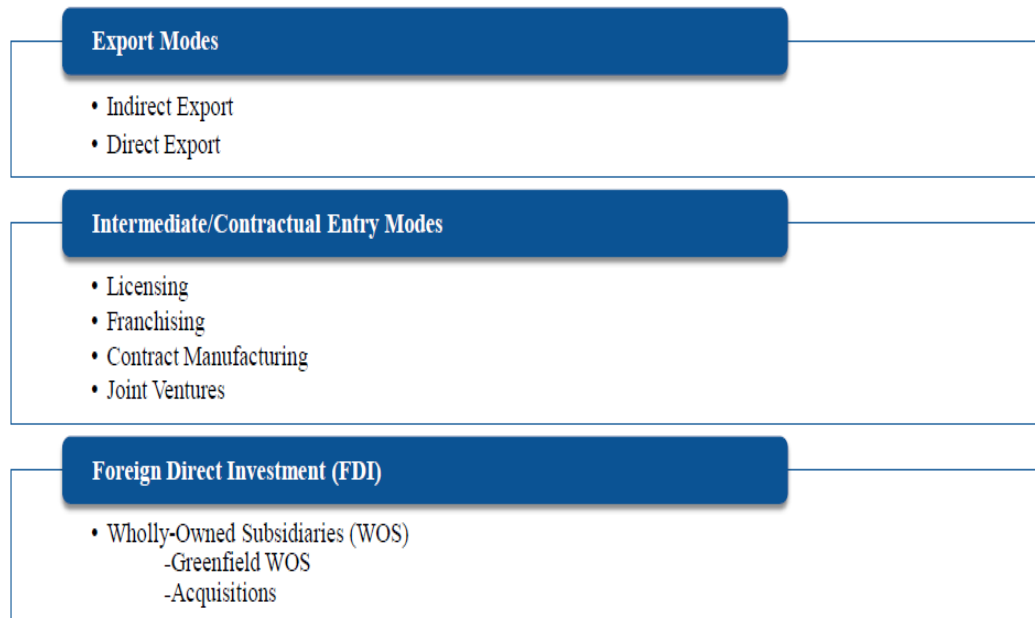
Over the year's different perspectives of market entry modes in the areas of international trade, industrial organizations have been discussed by many researchers. To identify the factors, determinants and conceptual frameworks of market entry modes many theories have also been developed. The researchers have also recognized the factors that influence the choice of an entry mode for an international market and thus the gap in the process of decision making has also been filled out. But it is a never ending topic where the researchers are till now working and suggesting the companies to go for the best effective market entry strategy for a specific country. According to Wind and Perlmutter (1977) "the choice of market entry mode has great impact on international operations and can be considered as "a frontier issue" in international marketing" (Anderson, 1986). Same way Kumar and Subramaniam (1997), Chung and Enderwick (2001), as well as Nakos and Brouthers (2002) have emphasized the choice of market entry mode and declared that it is a critical strategic decision for the firms which are trying to conduct business in international markets.

Root (1994) claimed that market entry mode has an impact on future decisions and performance in foreign markets and it requires a huge level of resource commitment which is difficult to transfer from high level to low level. For example, exporting mode is a low resource commitment entry mode and consequently low risk/return alternative which provides a firm with little operational control that is essential for market seeking firms (Agarwal & Ramaswami, 1991). The wholly owned subsidiary, conversely, is a high investment and high risk/return alternative that also provides a high degree of control to the companies (Agarwal & Ramaswami, 1991).

According to Dunning's (1977, 1980, 1988) broad framework about the selection of an entry mode inclined to "three types of determinant factors: location advantages of a market, ownership advantages of a firm, and internalization advantages of integrating

transactions within the firm”. And market entry mode choices are encompasses these characteristics.

This part has been divided into following three parts;



### 3.2.1. Export Modes

Choice of entry mode strategy is a crucial decision for a company as this entry strategy will eventually influence the whole marketing programme in foreign market (Chee & Harris, 1998, p.291). The internationalization of the firm is not just a sequential process; where it starts from initial exporting and ends up with direct investment, rather it must reflect the levels of commitment and resources as well as the dynamic nature of international markets, and that's why companies often adopt multiple entry strategies (Chee & Harris, 1998, p.291). But it is obvious that the most common mode for initial entry into international markets is exporting where the firms produce the products in the domestic market or in a third country and then they are transferred directly or indirectly to the host market (Hollensen, 2007, p.310). According to Kotabe & Helsen (2010) most of the companies start their international expansion through exporting. Exporting is often considered as the sole alternative for selling their goods in foreign markets, basically for many small businesses (Kotabe & Helsen, 2010, p.299). This export takes place through two different ways; indirect export and direct export.

### 3.2.1.1. Indirect Exporting

Indirect exporting occurs when the manufacturer uses independent organizations which are located in the manufacturer's country (Hollensen, 2007, p.313). In other word, the firm sells the products to an intermediary within the country, who in turn re-sells the goods to a customer abroad (Chee & Harris, 1998, p.294). Simply, the firm works with a middleman from home market to handle the exporting (Kotabe & Helsen, 2010, p.299). In this case, the producer or manufacturing firm does not need to undertake the export operations within the company such as documentation, freighting, etc. (Chee & Harris, 1998, p. 294). In exporting the firms do not engage in international marketing, it just sells its products to other countries through intermediaries. This approach is mostly applicable for a firm with limited international expansion objectives or a firm with negligible resources to get engaged to international extension (Hollensen, 2007, p.313).

Indirect exporting may occur through:

- Export buying agent
- Broker
- Export management company
- International trading company
- Piggyback

The **export buying agent** is a representative of foreign buyers residing in the exporter's home country, which makes the initial approach; purchases the product and undertake exporting activities, marketing and distributing the product in one or several foreign markets (Hollensen, 2007, p.314). The agent gets the commission from the buyers as it is acting on behalf of them. The terms of purchase are agreed between the export buying agent and the overseas buyer and these are not determined by the manufacturer (Hollensen, 2007, p.313). Exporting through export buying agent assist the manufacturer to retain much greater control over the market because the sale is in company's name; it will be building up goodwill in the future market for future expansion (Chee & Harris, 1998, p.296).

Exporting also occurs through export/import **brokers**, commonly specialized in particular products or classes of product who bring buyer and seller together at a common platform. The broker is a specialist in performing all the contractual functions, but they are not allowed to control the sales of products. For all the services provided by the broker, the payment takes place on the basis of commission which is about 5% by the principal (Hollensen, 2007, p.315).

**Export houses or export management companies (EMCs)** act as the 'export department' for a range of companies (Hollensen, 2007, p.315). They represent many manufacturers and conduct the business in the name of each manufacturer and all the contracts and communicated are made by the name each individual producer (Hollensen, 2007, p.315). EMCs have their specialized knowledge about the business in foreign countries, so it is easier for the companies to go through into a new foreign market through them, where it is difficult for the companies to penetrate; therefore, it allows the organizations to gain wider exposure of their products in overseas markets (Hollensen, 2007, p.315).

**International trading companies** are large scale manufacturers and merchants which are involved in wholesale and retail distribution (Chee & Harris, 1998, p.298). They normally act as agents on behalf of principal companies in overseas markets (Chee & Harris, 1998, p.298). They play an essential role in multiple areas like finance, shipping, insurance, consulting, technology transfer, construction and regional development, warehousing, planning resource development, real estate and deal making in general (Hollensen, 2007, p.315).

**Piggyback** exporting occurs when a firm gets involved into a collaborative arrangement with a major manufacturer in a similar field (Chee & Harris, 1998, p.298). In this case, one manufacturer (the carrier) establishes a strong distribution network and uses this network to market the goods of another manufacturer (the rider) along with its own business (Chee & Harris, 1998, p. 298). In short, the company uses the overseas distribution network of another company to get access to foreign countries for selling its goods (Kotabe & Helsen, 2010, p.300).

### 3.2.1.2. Direct Exporting

Direct exporting takes place when a producer of home country sells directly to an importer or buyer company which is located in host country (Hollensen, 2007, p.317). According to Kotabe & Helsen (2010), the firm establishes its own exporting department and sells its products via a middleman who is located in the foreign market and has full rights and knowledge to run the business through direct exporting. In such method of exporting the manufacturer has much control over the business in foreign country. Therefore, the sales potential in most cases is much higher than indirect exporting (Kotabe & Helsen, 2010, p.300). But it is not a straightforward chore to set up a direct exporting network in a foreign market. Here, the company handles all the responsibilities for the exporting tasks; that's why, the use of resources must be much more effective and intense than indirect exporting (Kotabe & Helsen, 2010, p.301). It takes a lot of preliminary work, long time and travelling to make and develop exact contacts, to identify and select representatives in the foreign market, and sources of logistical functions (e.g., documentation, insurance, shipping, packaging) (Kotabe & Helsen, 2010, p.301, Chee & Harris, 1998, p.298).

Direct exporting may occur through:

- Distributors
- Agents
- Overseas subsidiary

**Distributors** are the representatives of the company and commonly the main importers of the company's good in their markets (Hollensen, 2007, p.318). They have been given exclusive rights to purchase and re-sell a specific range of products from an organization in specific geographical areas or markets (Chee & Harris, 1998, p.303). They are the independent traders and buy the products on their own and have substantial freedom to choose their own customers and also have rights to set the conditions of sale (Hollensen, 2007, p.318). Majority of the distributors own and operate wholesale and retail enterprises including warehouses; fix as well as service facilities and once distributors come to a deal with their exporters on price, service, distribution, their initiatives emphasis on working their own sub operations and dealers (Hollensen, 2007,

p.318). The remuneration of distributors generates from the difference between the purchase and resale price (Chee & Harris, 1998, p.303).

“An **agent** is an individual or organization that acts on behalf of a principal to bring the principal into a contractual relationship with third parties to whom the principal’s products-services can be sold – i.e. they act as intermediaries between the supplier and end-user” (Chee & Harris, 1998, p.301). The companies intended to expand their business in global markets more often tend to choose agents because they can cover exceptional geographical areas which are difficult for a single organization to cover and have subagents assisting them (Hollensen, 2007, p.318). In most of the cases, agents do not own the goods that they are selling, even they do not carry stock or take responsibility for credit risks, unless they are *del credere* agents (a type of agent that accepts the credit risk, agreeing to pay the principal in the event of a default by the customer) (Chee & Harris, 1998, p.301).

Agents and subagents work on the basis of commissions which are paid by the exporter on a pre-agreed basis and the commission that the agents receive ranges from two percent to fifteen percent depending on the value of transaction, the market’s size and importance, services performed, and competition among exporters and agents (Hollensen, 2007, p.318; Chee & Harris, 1998, p.301). They are familiar with the local market situation, customs and conventions (Hollensen, 2007, p.318). They also have existing business contacts and employ foreign nationals (Hollensen, 2007, p.318), so it is easier for the foreign companies to enter into a market very conveniently. There are four different types of agents; *commission agent* is basically useful for exporting industrial products and where there is entry problems into a particular market, *service after-sales agent* is helpful for technical products where there is necessary for servicing and repair facilities after the delivery of the products, *stocking agent* stocks the products, and *del credere agent* takes the responsibility default (Chee & Harris, 1998, p.301).

The exporter may choose overseas subsidiary instead of choosing any type of intermediaries. They can use own resources where company can employ salespeople in foreign markets and if the products is highly technical where it may be difficult to impart the subtle and complex technical knowledge to a third party; set up an overseas branch office using trained local personnel; or set up an overseas marketing subsidiary

if the scale of business can support a higher level of operations (Chee & Harris, 1998, p.304).

### **3.2.2. Intermediate or Contractual Entry Modes**

Though exporting is a very convenient way to enter into a new market but sometimes the manufacturers may find it either impractical or unnecessary to supply the products in all overseas markets from home production facility (Hollensen, 2007, p. 329). There are several factors that influence the choice of companies to manufacture locally rather than supplying the products into foreign markets from domestic sources (Chee & Harris, 1998, p.305).

The factors that might encourage the companies to pursue to consider the entry mode which involves more resource commitment are the existence of tariff barriers or quotas, political consideration, government's preferences for local producers over foreign suppliers, high transportation cost, etc. (Chee & Harris, 1998, p.304). A very strong advantage for producing locally and doing business in association with the local business partners is that the firm will respond more favorably to local needs regarding service levels, delivery, and product adaptation, as well as obtaining better market feedback (Chee & Harris, 1998, p.304). Intermediate or contractual modes as an entry mode consist of different types such as licensing, franchising, contract manufacturing, joint ventures. All the modes have been discussed briefly in the following.

#### **3.2.2.1. Licensing**

As mentioned by Kotabe and Helsen (2010) "Licensing is a contractual transaction, where a firm (the licensor) offers some proprietary assets to a foreign company (the licensee) in exchange for royalty fees". In other words, "it is a procedure where the licensor provides something valuable owned by the licensor to the licensee in exchange for certain performance and payments from the licensee" (Hollensen, 2007, p.331).

According to Hollensen (2007), the licensee authority may be provided by licensor in order to use one or more of the following things:

- a patent covering a product, service or process;
- manufacturing know-how;

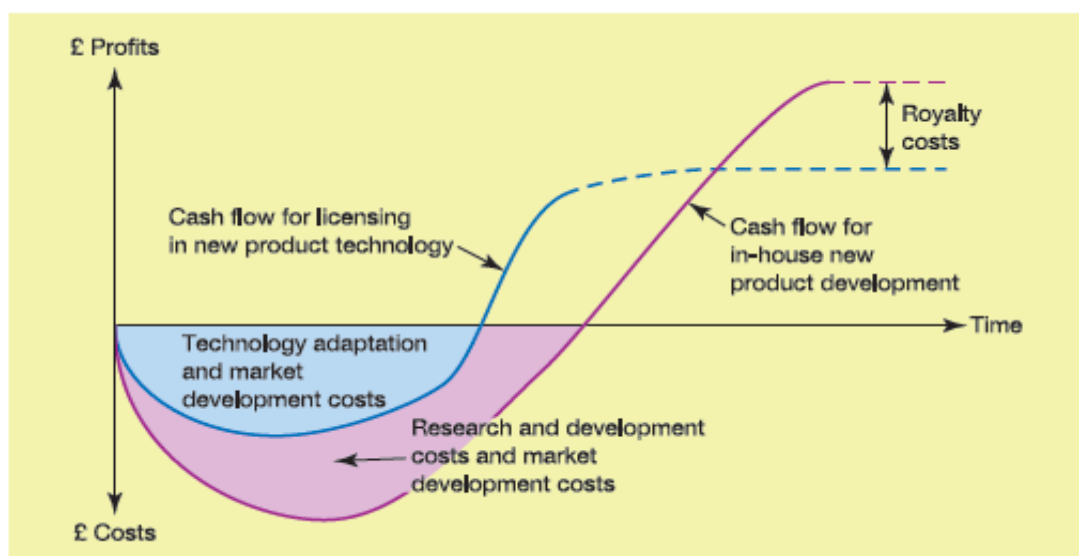
- technical advice and assistance;
- materials or plant essential to the manufacturing process;
- marketing advice and assistance;
- The use of a trade mark/trade name.

According to Chee & Harris (1998), the payment for a license might take several forms:

- an initial payment where the agreement is signed to pay the initial transfer of components, design or know-how
- an annual percentage fee based on profits or sales
- an annual minimum payment, or
- An exchange of patents or knowledge, i.e. cross-licensing.

The licensee receives the know-how or rights from the licensor and uses these proprietary assets in specific markets or in several countries and at the same time, licensee takes a greater responsibility for marketing as well as for production (Chee & Harris, 1998, p.309).

**Figure 4: The life-cycle benefits of licensing**



Source: Lowe & Crawford, 1984; Bradely, 1995, p.388 edited from Hollensen, 2007, p.334



There are numerous advantages of licensing. Firstly, it favors the small firms that lack the resources to penetrate into foreign markets by navigating around import barriers (Kotabe & Helsen, 2010, p.301). Secondly, the firms gain immediate access to local market knowledge, distributions and existing consumer contacts through licensing (Chee & Harris, 1998, p.309). Thirdly, when a product is at the end of its product life cycle in the advanced countries due to outdated technology, it might be at its growth stage in less developed countries. In this case, an extension of the product life cycle is possible through licensing in those countries (Hollensen, 2007, p.333). Lastly, even though in licensing agreement the licensor provides technological know-how and expertise to the licensee but still the licensor firm remains as superior in terms of technology (Hollensen, 2007, p.333).

Along with all the advantages the licensing carries also some disadvantages as well. Revenues generated from licensing can be replaced by the possible income that other entry modes such as exporting can generate (Kotabe & Helsen, 2010, p.302). Another possible disadvantage is that disagreements between licensee and licensor might arise. Lack of passion of licensee might seriously limit the sales potential of the licensed product (Kotabe & Helsen, 2010, p.302). When the agreement finally expires, the licensee might use the technology or management expertise that they have gained through the agreement to their favor and the licensor may find, it has indirectly established its future competitors (Chee & Harris, 1998, p.310).

#### **3.2.2.2. Franchising**

Franchising is “an organizational arrangement based on a legal agreement between a parent organization (the franchisor) and a local partner (the franchisee) to sell a product or service using a brand name and process that have been developed and are owned by the franchisor” (Alexander & Doherty, 2009, p.260). The franchise agreement is tend to be more complete than a licensing agreement, where the franchise has authority over the total operation being prescribed (Chee & Harris, 1998, p.310).

According to Hollensen (2007), there are numerous factors that accelerates and have contributions to the amount of growth rate of franchising. The two dominant factors are following;

- The general worldwide reduction of traditional manufacturing industry and rise of service-sector where these require a large number of geographically dispersed outlets tend to serve local markets and local consumers.
- The growth in popularity of self-employment; in many countries, the conditions of small business have been improved as a means of stimulating employment due to the government policies supporting the operations of those companies.

Franchising often helps the investors who have enough capital but little or no prior business experience. It allows the companies to make the most of everything from the right to use a name to the whole business concept (Hollensen, 2007, p.335). There are two major types of franchising:

1. "Product and trade name franchising in which the suppliers make contracts with dealers to buy or sell products or product lines. Dealers use the trade name, trade mark and product line.
2. Business format 'package' franchising where the package transferred by the franchisor contains most of the elements that are necessary for the local companies to start a business and run it cost-effectively in the host country in a pre-determined manner" (Hollensen, 2007, p.335).

Many companies have already been successfully operating their business in foreign countries by exploiting franchising as market entry mode. The best examples are McDonalds, KFC, Coca-Cola, Pepsi, Hertz, and Avis etc. The benefits of using franchising as market entry mode are far reaching. Due to the role of franchisee that has motivation to operate the business in local market and local knowledge of the market, it is much faster way to enlarge business activities over a large area with minimum investment than the other forms of market entry strategy (Chee & Harris, 1998, p.311). At the same time, the franchisors get huge amount of money as royalties, so it is very profitable for them. At the same time, they have maximum control over the operations of the business (Chee & Harris, 1998, p.311).

However, Franchising is not out of all risks. Like licensing, the franchisor's income is the fraction of what it would be if the company would run its operations itself in the foreign market (Kotabe & Helsen, 2010, p.304). Finding suitable franchisee can be a major problem as well for the franchisor. There are also difficulties in monitoring the

quality of the franchise operations because this requires a constant and systematic supervision of franchisee (Chee & Harris, 1998, p.312).

### **3.2.2.3. Contract Manufacturing**

Contract manufacturing is another important mode of entry where the company in association with a local manufacturer produces the products but the responsibility of R&D, marketing, distribution, sales and servicing of its products in international markets remain at the hand of international firm (Kotabe & Helsen, 2010, p.305; Hollensen, 2007, p.330). It allows the firm to have foreign production source even without making a final promise (Hollensen, 2007, p.330). Where the management faces the scarcity of resources or is not interested to invest equity to establish manufacturing plant and selling operations, contract manufacturing plays significant role for executing a long-term foreign development policy at the right time (Hollensen, 2007, p.330). The products produced in the local production plant can be sold by the contractor in its home country or country of manufacture or some other overseas markets (Hollensen, 2007, p.330). A lot of companies have become very successful by pursuing this mode of entry.

It is a useful strategy to adopt for firms where there are political uncertainties or firm does not have substantial capital for full-scale investment (Chee & Harris, 1998, p.307). It is also quite useful strategy if the production or labor costs are high in home country. In that case, the company can take the full advantage of low labor and production cost of host country. Contract manufacturing often offers considerable flexibility to the local manufacturer but if the firm is not satisfied with reliability or product quality it can quit the market or shift the contract to another manufacturer (Hollensen, 2007, p.330).

There are also some drawbacks of this strategy. It is constantly necessary to control the quality of product to meet company standards which costs a lot of money, time and technical training for the local producer's staff (Chee & Harris, 1998, p.307). It may be difficult to find efficient and satisfying manufacturer in the foreign market (Chee & Harris, 1998, p.307). The exploitation of contract might also happen by the manufacturer. It is also possible that at the end of the contract, the local producer might become the potential competitor by acquiring the production and marketing expertise but this problem can be solved by the international firm through pursuing a strong brand policy (Chee & Harris, 1998, p.307).

#### **3.2.2.4. Joint Venture**

Joint venture is “a partnership between two or more parties that generally results the development of a new company in which the parties have shares, though none of the part has actual control over the decision-making process” (Chee & Harris, 1998, p.312). On the basis of the equity stake, there are “three forms of partnerships in joint ventures: majority (more than 50 percent ownership), fifty fifty and minority (50 percent or less ownership) ventures” (Kotabe & Helsen, 2010, p.307).

Various reasons that have been mentioned by Hollensen (2007) are following:

- Through joint venture there might develop new opportunities in specific sector by the corresponding technology or management skills provided by the partners.
- The rapid and easy way to enter into a foreign market.
- To avoid the restriction foreign ownership.
- To achieve competitive advantage by reducing the expenses of global operations in R&D and production.

There are three different forms of Joint ventures according to Chee & Harris (1998).

1. The ‘spider’s-web’ types which consists of many firms, mostly found in the car and electronic industries.
2. An approach where the firms decide to operate together with its partners and after a period of time they separate because of the company having achieved its objective and moving on.
3. A third form consists of the parties moving closer together and may ultimately incorporate.

According to Kotabe & Helsen (2010) there are two different types of joint venture. One of agreement is called a cooperative joint venture where the partners cooperate with each other but does not engage in any equity investments. For example, one of the partners from each of them may have a tendency contribute to the marketing policy whereas the other partner provides manufacturing technology. Another type of joint venture mentioned by Kotabe & Helsen (2010) is called an equity joint venture in which

the partners come together in the purpose of increasing capital in proportion to the equity stakes.

Through joint venture agreement, the companies get benefited with the higher returns compared to royalty payment that they might receive from licensing or franchising (Chee & Harris, 1998, p.315). There is greater control over the whole operations of the business in foreign countries (Chee & Harris, 1998, p.315). The risk is also shared by the partners in case of long term capital investment and at the same time, more international experience can be gained through the greater familiarity with the local environment (Chee & Harris, 1998, p.315). Joint venture brings many facilities for the company through the local partner who has easy access to the raw materials, personal contacts with suppliers, expertise on the local environment (culture, legal, political), land, access to the strong distribution network, and relations with government officials (Kotabe & Helsen, 2010, p.316). All these things together make the company to be successful in the foreign market.

But still all the joint venture initiatives were not always successful; it also has some drawbacks like other mode of entry. It always requires more capital and management resources compared to licensing (Chee & Harris, 1998, p.315). There might develop the conflict of interest between partners regarding management philosophy, culture and business objectives, marketing policies etc (Chee & Harris, 1998, p.315). If the partners in joint venture do not establish straightforward decision-making policy then they must consult with each other on all decisions and this process may delay a necessary action when speed is essential (Onkvisit & Shaw, 2004, p.254).

### **3.2.3. Foreign Direct Investment (FDI)**

Foreign direct investment (FDI) is one type of investment in which the companies take part in the management and control of the enterprise as well (Chee & Harris, 1998, p.323). FDI represents the high amount of investment that a company can make in a foreign country, it involves highest amount of financial investment, commitment, management skill, marketing expertise, manufacturing know-how, technology transfer etc. (Chee & Harris, 1998, p.323). One of the most important FDI type is accepted as wholly-owned subsidiary by companies in which comprises two another investment types as follows Greenfield wholly-owned subsidiaries and acquisitions.

### **3.2.3.1. Wholly-Owned Subsidiary**

Through wholly-owned subsidiaries Companies acquire the full control over the operations (Kotabe & Helsen, 2010, p.312). It is often the ideal entry mode strategy for companies that do not want bear the risks and concerns linked to other entry modes such as joint venture (Kotabe & Helsen, 2010, p.312). According to Papyrina (2007) wholly owned subsidiaries help the companies to overcome difficulties generated in shared-control modes. It is often motivated by the desire to deploy slack resources, and thus their start-up costs are usually lower than those of joint ventures (Papyrina, 2007). The operation costs linked with wholly-owned subsidiaries are also less significant because of the involvement of its management style on the subsidiary; the foreign investor can avoid problems of integrating divergent strategic viewpoints that might arise when it is operated with local partner (Papyrina, 2007). Furthermore, it is an effective mechanism of monitoring opportunistic behavior and protecting the parent firm's core resources (Papyrina, 2007). Conception of wholly-owned subsidiaries also sends a strong obligation to the local market (Kotabe & Helsen, 2010, p.312). While deciding for the establishment of wholly-owned operations in a country a firm can either build its own operations from scratch (Greenfield investment) or acquire an existing company (Hollensen, 2007, p.364).

#### ***Acquisition***

The acquisition takes place when a company purchases all or the majority of the shares of the local company to gain control (Chee & Harris, 1998, p.324). This mode of entry is beneficial for an enterprise with limited international exposure, or little knowledge about local market (Hollensen, 2007, p.364). Even when a manufacturer wants to enter a foreign market hastily and at the same wants to retain maximum control; direct investment through acquisition plays a pivotal role (Onkvisit & Shaw, 2004, p.260). In saturated markets there exist many firms competing in a specific industry, that's why there are considerable entry barriers. In these situations, acquisitions could be the best possible way of establishing a base in the host country (Hollensen, 2007, p.364). There are many forms of acquisitions. Root (1987) has divided acquisition into following parts;

- “Horizontal acquisition where the product lines and markets of the acquired and acquiring firms are similar,

- Vertical acquisition where the acquired firm becomes supplier or customer of the acquiring firm,
- Concentric acquisition in which the acquired firm has the same market but different technology, or the same technology but different markets,
- Conglomerate acquisition in which the acquired firm lies in a different industry from that of the acquiring firm” (Vepsäläinen, 2010, p.26).

Through acquisition the company can obtain added advantage of local management, a well-skilled and well-trained labor force, can easily get an access through a distribution channel, local knowledge and contacts with the market and local authorities, established brand names or corporate reputations (Chee & Harris, 1998, p.324).

In this case, the company might also faces integration problems with a newly acquired company, as the companies are different in management and business practices; this integration turns out to be expensive and time-consuming (Chee & Harris, 1998, p.324). On the other hand the company gets deprived from the incentives provided by many governments. Most governments tend to offer foreign investors low-interest loans and tax holidays for building new plants, but if a foreign company execute a joint venture with a local company then they will miss this opportunity. (Chee & Harris, 1998, p.324)

### ***Greenfield Investment***

Greenfield investment refers to the foundation of a new wholly owned subsidiary which is often complicated and precious, but it has ability to support full control over the operations of firm and has the most potential to provide above average return (Hitt, 2009). The key motivation for wholly-owned operations is the capability to integrate operations across countries and to determine the direction of future international growth (Hollensen, 2007, p.364). It has already been explained the many governments support the foreign companies to establish a production plant in the country. Through wholly-owned subsidiary strategy the companies can utilize the incentives offered by the host country which is not possible in case of acquisition (Hollensen, 2007, p.364). A new facility indicates a new beginning and it creates a great opportunity for the global firms to form the local firm and market into with its own requirements and brand image (Hollensen, 2007, p.364).

Greenfield operations is effective in a sense that it often provides the company more flexibility than acquisitions in areas like suppliers, logistics, plant layout, human resources, or manufacturing technology (Kotabe & Helsen, 2010, p.315). However, it requires enormous investments of time and capital (Kotabe & Helsen, 2010, p.315).



### **3.3. FACTORS INFLUENCING MARKET ENTRY DECISIONS**

This part of theoretical background describes the factors that have influenced the companies while deciding over market entry modes. One of the important and main objectives of the research is to analyze and discuss the importance of all the factors that have impact on the foreign companies' decision over the business in Austria. Chapter five shows the result of the importance of all the factors and this section provides details of each factor.

Normally it is expected that the entry mode choice should be basically on the basis of expected contribution to profit (Hollensen, 2007, p.297). But this cannot be the only factors that influence the decision. There are several other aspects that also contribute to the decision over market entry mode. Hollensen (2007) has divided all these factors in two categories; internal factors and external factors.

#### **3.3.1. Internal Factors**

The internal factors are the factors that are generated within the company. These are firm size, international experience of the managers, and product or service offered by the company. By analyzing all these factors the company can easily decide which mode will generate the best output for the company. Following the factors are discussed in details.

##### **3.3.1.1. Firm Size**

The company size indicates the accessibility of resources where the firm possesses and tries to increase availability of their resources and provide a good base for augmented international involvement over time (Hollensen, 2007, p.297).

According to Benito and Welch (1994), the companies which have smaller size when compared to other big companies usually have fewer market servicing options, because their limited resources do not allow them to choose certain market entry modes. At the same time, due to the insufficient management potential and skills, small companies cannot penetrate foreign markets through joint ventures or wholly-owned subsidiaries (Hollensen, 2007, p.297). For example, SMEs might want to have a more control over

overseas operations and desire to make heavy resource commitments to foreign markets, but they are more likely to enter foreign markets using export modes because they lack the necessary resources to achieve the high degree of control (Hollensen, 2007, p. 297).

#### **3.3.1.2. International Experience**

International experience has been defined by Hollensen (2007) as the extent to “which a firm is involved in operating globally, that can be gained from operating either in a specific country or in the general international environment”. When the company has experience of operating in many countries, it can be benefited from the reduced cost which in turn increases the likelihood of firms committing resources to international markets (Hollensen, 2007, p. 299).

Johanson and Vahlne (1977) recommended that “direct experience with international markets increases the probability of committing extra resources to foreign markets” (Hollensen, 2007, p. 299).

#### **3.3.1.3. Product/Service**

The physical characteristics of a product or nature of the service has significant impact on the management’s decision over entry mode strategy. High value products such as expensive watches are typically distributed in foreign market from a specific location through direct exporting in order to gain economies of scale, or to retain control over production (Hollensen, 2007, p. 299).

On the other hand, products like soft drinks and beer are not cost effective if these are distributed through exporting particularly in distant market because it causes shipment costs (Hollensen, 2007, p. 299). In this case, the cost effective way is to form licensing agreements, or invests in local bottling or production facilities (Hollensen, 2007, p. 299).

Blomstermo and Sallis (2006) distinguished the service into two different parts;

- Hard services, where production and consumption can be decoupled. For instance, software services can be transformed into a CD and it can be standardized and produced massively. For these types of services, managers can pursue low resource commitment entry mode for a new market.

- Soft services, where production and consumption occur concurrently. The producer of soft service must be present abroad from the beginning of their operations. In this situation managers are more likely to choose a high control entry mode.

### **3.3.2. External Factors**

There are also some external factors that the companies consider while entering into a new market. These factors cannot be controlled by the company itself, rather these are some external aspects that create a situation and the company is compelled to take decision on the basis of them. These factors are known as: socio-cultural distance between home country and host country, country risk/demand uncertainty, market size and growth, direct and indirect trade barriers, and intensity of competition. These factors have been discussed in details in the following:

#### **3.3.2.1. Socio-cultural distance between home country and host country**

Countries with similar industrial and business culture, a common language, and comparable educational levels and cultural characteristics are socio-culturally similar where the absence of these features makes the countries socio-culturally different (Hollensen, 2007, p.300).

Some aspects of culture (such as social structure, trust, language, self-reliance and work ethics) differ considerably across different countries (Hollensen, 2007, p.300). Socio-cultural differences can create internal uncertainty, which in turn affects the mode of entry desired by that firm (Hollensen, 2007, p.300). The greater the perceived cultural distance between the home and host country, the more likely the firm will pursue high involvement entry mode like joint venture agreements because it is riskier and also difficult for the companies to get familiar comfortably to the unfamiliar foreign environment (Hollensen, 2007, p.300).

When the perceived distance between the home and host country is gigantic, firms will definitely favor entry modes that involve relatively low resource commitments and vice versa (Hollensen, 2007, p.300).

#### **3.3.2.2. Country risk/Demand uncertainty**

Due to physical and cultural distance, foreign markets are commonly considered as more risky than the domestic market. The firms risks inventories and receivables along with it investments. So while deciding over the market entry mode the firms must make a well-designed risk analysis of both the market and its method of market entry (Hollensen, 2007, p.300). Together with economic risks there exist political risks as well. According to Hollensen (2007) when country risk is high, firms will usually favor entry modes that involve comparatively low resource commitments; for example, export modes. “Unpredictable political and economic environment of the host market raises the perceived risk and demand uncertainty” (Hollensen, 2007, p.300).which in turn supports firms to pursue the entry modes that require heavy resource commitments.

#### **3.3.2.3. Market size and growth**

The market size of a country can be characterized by the number of potential buyer or seller available for a particular product or service. The market size of a country as well the growth rate of the industry is key parameter in determining the mode of entry. It is obvious that the larger the country and market size, and the higher the growth rate, the management are more likely to obligate substantial amount of resources for its development, and consider establishing a wholly-owned subsidiary or will pursue in joint venture with another local company (Hollensen, 2007, p.300). On the other hand, small markets did not require significant attention, so it can be covered by the low resource commitment entry mode like exporting.

#### **3.3.2.4. Direct and indirect trade barriers**

Product or trade regulations, laws and preferences for local suppliers, have an enormous influence on decisions of market entry mode (Hollensen, 2007, p.301). Where due to the economic cooperation, many companies are getting the favor of tariffs and quotas; other hand, numerous companies are getting deprived from all the facilities that can be derived from favorable tariffs and trade regulations. “Tariffs or quotas on the transaction of foreign goods facilitate the establishment of local production or assembly operations” (Hollensen, 2007, p.301).

Sometimes the government imposes the regulations to support the local producers; this situation often encourages “a company to consider a joint venture or other contractual

arrangements with a local company” (Hollensen, 2007, p.301). Same way, where product guidelines and standards require considerable adaptation and modification, the firm can set up local production, assembly or finishing facilities (Hollensen, 2007, p.301).

#### **3.3.2.5. Intensity of competition**

The saturated market and huge competition in local market environment motivates the firm to enter into a new market. But the foreign market might also be characterized by intense competition. When the intensity of competition is high in a host market, firms do not go for heavy resource commitments market entry mode because it does not bring any positive growth in the business operation (Hollensen, 2007, p.301). Therefore, in this situation the enterprises favor entry modes which contain lack of resource commitments such as direct or indirect export modes (Hollensen, 2007, p.301).

#### **3.3.2.6. Small number of relevant intermediaries available**

Sometimes foreign markets are dominated by Small number of intermediaries. In such markets those intermediaries demonstrate opportunistic behavior and to reduce the scope of opportunistic behavior foreign firms can use of hierarchical market entry modes and utilize the local market opportunities (Hollensen, 2007, p.301).

### **3.4. INTERNATIONALIZATION MOTIVES**

This part has been written focusing on the factors that motivate the companies to expand their business in overseas. Along with market entry mode the research aims to analyze the internationalization motives that trigger the companies to enter into a new market environment. To fulfill this objective of the research, it is necessary to describe all these motives of internationalization in details.

In the past decade globalization progressed considerably, facilitated by advanced communication media, transportation and advanced legal structure. At the same time, the forming of different international and regional economic group for example, WTO, GATT, EU, GATS, NAFTA, ASEAN etc. is also giving the new way to the companies to go abroad by lessening the trade barriers. Expanded market means increased sales and increased sales means increased profit which is turned into the success of the business.

Internationalization basically takes place when the firm wants to extend its business, more specifically when the company expands its production, R&D, selling and other business activities into international markets (Hollensen, 2007, p.41). There are various reasons for the companies to decide over internationalization. And on the basis of these reasons the companies pursue performance goals, different strategies and the forms of market participation (Biggs, 2013). Nevertheless, companies are inclined to follow certain patterns when they move beyond their own borders (Czinkota, 2004, p.1). The most common pattern could be called as the ‘increasing commitment’ method of market development, in which companies tend to enter into a new market via an independent local partner. And throughout the time as business grows, they change their strategy to a directly controlled subsidiary (Biggs, 2013).

There are also many other reasons that motivate the companies to go beyond national boundaries. They are divided into proactive and reactive motives. The following table summarizes the all illustrate the motives of internationalization.

**Figure 5: Major motives for starting export**

| Proactive motives  | Reactive motives   |
|--|--|
| <ul style="list-style-type: none"><li>● Profit and growth goals</li><li>● Managerial urge</li><li>● Technology competence/unique product</li><li>● Foreign market opportunities/market information</li><li>● Economies of scale</li><li>● Tax benefits</li></ul> | <ul style="list-style-type: none"><li>● Competitive pressures</li><li>● Domestic market: small and saturated</li><li>● Overproduction/excess capacity</li><li>● Unsolicited foreign orders</li><li>● Extend sales of seasonal products</li><li>● Proximity to international customers/psychological distance</li></ul> |

Source: Hollensen, 2007, p.42

### **3.4.1 PROACTIVE MOTIVES**

“*Proactive* motives represent stimuli to attempt strategy change, based on the firm’s interest in exploiting unique competences (e.g. a special technological knowledge) or market possibilities”. (Hollensen, 2007, p.42) Following the proactive motives of internationalization will be explained in details.

#### **3.4.1.1 Profit and Growth Goals**

Profitability is the strongest motivator for an organization to go international (Czinkota, 2004, p.4). Management assumes that international sales could be a prospective source of higher profit margins (Czinkota, 2004, p.4). Even the longing for short-term profit is also very important for organizations like SMEs that are at a stage of initial interest in exporting (Hollensen, 2007, p.43). But it is not always bound to happen what actually perceived. The gap between the perceived profitability and reality may be particularly huge when the firm has not engaged in international market activities previously (Hollensen, 2007, p.43).

Nevertheless throughout the time through proper planning, exact strategies the scenario might get totally different. “For example, a sudden shift in exchange rates may drastically alter profit forecasts even though they were based on careful market evaluation. The stronger the firm’s motivation to grow, the greater will be the activities it generates, including search activity for new possibilities, in order to find means of fulfilling growth and profit ambitions” (Hollensen, 2007, p.43).

### **3.4.1.2 Managerial Urge**

Managerial urge has been defined by Albaumb, Strandskov, & Duerr (1998) as “the desire, drive, enthusiasm, and commitment the management has towards entering a new foreign market”. According to Hollensen (2007) “Managerial urge is a motivation that replicates the desire, drive and enthusiasm of management towards global marketing activities and is simply a reflection of general entrepreneurial motivation of a desire for continuous growth and market expansion” (Hollensen, 2007, p.44).

There is a divergent connection amid individual decision characteristics and export behavior and quite often favorable attitude of the managers towards foreign activities have been considered an essential condition before firms expand in international markets (Albaum, Strandskov, & Duerr, 1998, p.77). The decision of entering into a new market basically depends on the decision maker’s expectations concerning these markets, perception of the foreign market, and company’s ability to enter into those markets (Hollensen, 2007, p.43).

Bradely (2002) mentioned that managerial urge depends on the managers’ attitudes (close or open minded) towards internationalization (Gustavsson & Lundgren, 2006, p.7). The open-minded and prescient managers are seemingly having more positive attitude on the internationalization process. Alternatively, the managers which are closed-minded are more likely to act as more neutral or have a negative visualization of the internationalization process (Gustavsson & Lundgren, 2006, p.7).

Cultural socialization of the managers might also encourage the internationalization process. Managers who have more travel experience in abroad are more likely to have global vision and tendency towards to work internationally than the other ones. Previous professional experience in multinational companies or membership in trade and professional allies may also strengthen the managers’ attitudes and evaluations of foreign environments (Hollensen, 2007, p. 43).

### **3.4.1.3 Technology Competence or Unique Product**

Unique products and technology competence could be valuable assets for an organization. Sometimes a firm might produce goods or services or may have made technological advances in a specialized field that are not available to other international competitors (Hollensen, 2007, p.43). Provided that a firm " has something very unique



product/service or competence, it is easier to go into a new foreign market " (Albaum, Strandkov, & Duerr, 1998, p.77).

But it might also happen that a product is unique in local market but not for the international markets. This situation creates competitive disadvantage for the company. So one thing should also be considered about the length of time such a technological advantage and unique product will continue in international market. Historically, a firm with a competitive advantage can dominate the market as a sole supplier for a period time until an alternative does not enter into the market. But "this advantage has been minimized radically because of contending technologies and a lack of protection of international patent" (Hollensen, 2007, p.43).

#### **3.4.1.4 Foreign Market Opportunities or Market Information**

The market information of another country is also an important stimulus that motivates the managers to think about that market. Over the time some overseas markets grow enormously that provide appealing opportunities for the firms willing to expand (Hollensen, 2007, p.44). Usually legal access to information technology and specialized marketing knowledge can differentiate an exporting firm from its competitors (Hollensen, 2007, p.44). This information incorporates a deep knowledge about foreign customers, marketplaces, market situations which are not widely known by other firms and this information can be gathered by international research, special contacts with the corporate partners etc. (Hollensen, 2007, p.44).

Though such uniqueness can work well as a primary stimulus for exporting activities, it will hardly provide extended motivation because competitors can also imitate or pursue the information advantage of the firm (Czinkota, 2004, p.5).

"The attraction of the south-east Asian markets is based on their economic successes, while the attraction of the eastern European markets is rooted in their new-found political freedoms and desire to develop trade and economic relationships with countries in Western Europe, North America and Japan. Other countries that are likely to increase in market attractiveness as key internal changes occur include the People's Republic of China and South Africa" (Hollensen, 2007, p.44).

#### **3.4.1.5 Economies of Scale**

The participation in global marketing activities in huge scale can facilitate a firm to amplify its output extensively. Internationalization might help companies achieve greater economies of scale, particularly for companies from smaller domestic markets (Biggs, 2013). Czinkota and Ronkainen (2007) explained that the internationalization generates economics of scale and scope as a firm moves into international market by using labor and production abroad instead of more expensive domestic resources. This motive arises when firms take advantages of natural resources and capital, low labor costs, and regulatory conveyance like taxation recession (Essays, 2013). Production in huge volume for the international market can reduce the cost of production for domestic sales and eventually makes the firm more competitive domestically (Hollensen, 2007, p.44). At the initial stage, the firm can increase its sales and get the benefits of economies of scale; later the company can open foreign subsidiaries and foreign production facilities (Hollensen, 2007, p.44). “For some companies a condition for exploiting scale effects on foreign markets to the fullest extent is the possibility of standardizing the marketing mix internationally. For others, however, standardized marketing is not necessary for scale economies”. (Hollensen, 2007, p.45)

#### **3.4.1.6 Tax Benefits**

Sometimes tax benefits provided by the foreign government motivate the national companies to go for international trade. It provides firms with certain tax deferrals which allow the firm either to offer its products at a lower price in foreign markets or to collect a higher profit (Hollensen, 2007, p.45). So this is somehow related to the profit motivation of the organization and at the same time it might also discourage the companies to enter into a new market (Hollensen, 2007, p.45). For example, the antidumping laws enforced by WTO penalize foreign producers for selling their products on local markets at very low prices to protect local producers and these laws must be obeyed by all the member countries (Hollensen, 2007, p.45).

### **3.4.2 REACTIVE MOTIVES**

“*Reactive* motives indicate that the firm reacts to pressures or threats in its home market or in foreign markets and adjusts passively to them by changing its activities over time” (Hollensen S., 2007, p. 42). Following the reactive motives of internationalization will be discussed in details.

#### **3.4.2.1 Competitive Pressures**

Competitive pressures have critical influence on managers’ decision of going global. According to Hollensen (2007) Competitors are important external factors that stimulate internationalization. Market entry can be triggered the fact that not only by the positive characteristics of the country identified through market assessment, but also due to the reaction of a competitor’s moves (Biggs R. P 2013, p. 4). Hollensen (2007) stated that a firm may fear of losing domestic market share to competing firms that have benefited from economies of scale gained by global marketing activities. At the same time, it may also fear of losing foreign markets permanently to domestic competitors that decide to focus on these markets, knowing that market share is most easily retained by the firm that obtains it initially (Hollensen, 2007, p. 45). The firm might also observe that the domestic competitors are getting stronger through internationalization of the business. This incentive might also push the company to think over it.

“A common scenario is market entry as a follower move, where a company enters the market because a major competitor has done so. This is obviously driven by the belief that the competitor would gain a significant advantage if it were allowed to operate alone in that market. Another frequent scenario is “offense as defense,” in which a company enters the home market of a competitor—usually in retaliation for an earlier entry into its own domestic market. In this case, the objective is also to force the competitor to allocate increased resources to an intensified level of competition”. (Biggs R. P 2013, p. 4)

Hollensen (2007) has mentioned an example of Coca-Cola. The internationalization movement of Coca-Cola influenced Pepsi to move in the same direction.

#### **3.4.2.2 Domestic Market: Small and Saturated**

Another reactive motivation is the small and saturated domestic markets. When the domestic market becomes more saturated, and when there is no growth opportunities in domestic market the level of firm's globalization motivation increases. Some firms might analyze the domestic markets and see that domestic markets may be unable to sustain adequate economies of scale and scope, and these companies look for opportunities in foreign markets (Hollensen S., 2007, p. 46). May be product in domestic market at the declining stage of the product life cycle but could be absolutely new in another market. So the forms can attempt to prolong the product life cycle by expanding the market instead of attempting a push-back of the life cycle process.

“In the past such efforts were often met with success as customers in many developing countries only gradually reached a level of need and sophistication already attained by customers in industrialized nations. Some developing nations are still often in need of products for which the demand in the industrialized world is already on the decline. In this way firms can use the international market to prolong the life cycle of their product”. (Hollensen S., 2007, p. 46)

#### **3.4.2.3 Overproduction or Excess Capacity**

A major reactive motivation can be over production or excess capacity of the firm. When there is no scope for further sales of the excessive products markets abroads are ideal for surplus inventory. And this excess production capacity arises may be because of changing demand in the domestic market (Hollensen S., 2007, p. 47). But this strategy might have difficulties because there is a possibility that over time customers might not be interested anymore in such temporary and unstable business (Czinkota & Ronkainen, 2007).

According to Hollensen (2007) “if equipment for production is not fully utilized firms may see expansion into the international market as an ideal possibility for achieving broader distribution of fixed costs. Alternatively, if all fixed costs are assigned to domestic production, the firm can penetrate international markets with a pricing scheme that focuses mainly on variable costs”. But fixed costs have to be recovered in the long run in order to make sure the substitution of production equipment" (Hollensen S., 2007, p. 47).

#### **3.4.2.4 Unsolicited Foreign Orders**

The receipt of an unsolicited investigation for product, price, or distribution information could be a common method by which many small companies become aware of prospects in export markets (Albaum, Strandskov, & Duerr, 1998, p.80; Hollensen, 2007, p.47). These enquiries can be the outcome of advertising in trade journals, through exhibitions and by many other ways (Albaum, Strandskov, & Duerr, 1998, p.80). As a result, a large percentage of exporting firms' initial orders becomes unsolicited (Hollensen, 2007, p.47). According to the study of Simpson and Kujawa (1974), more than 80% of the exporting firms were exposed to inquiries from foreign customers in contrast to approximately 30% of the non-exporters being so exposed. It emphasizes that industry-specific factors encourage receipt of unsolicited foreign orders (Albaum, Strandskov, & Duerr, 1998, p.80). As a result many companies can start exporting their products in foreign markets.

#### **3.4.2.5 Extend Sales of Seasonal Products**

Seasonality in demand conditions act as a persistent stimulus for foreign market exploration. This condition differs in the domestic market from other international markets (Hollensen, 2007, p.47).

“A producer of agricultural machinery in Europe had demand from its domestic market primarily in the spring months of the year. In an attempt to achieve a more stable demand over the year it directed its market orientation towards the southern hemisphere (e.g. Australia, South Africa), where it is summer when the northern hemisphere has winter and vice versa”. (Hollensen, 2007, p.47)

#### **3.4.2.6 Proximity to International Customers or Psychological Distance**

Physical and psychological closeness to the international market often plays a remarkable role in the export activities of a firm (Hollensen, 2007, p.47). Physical distance refers to the lack of symmetry between growing international markets with respect to cultural variables, legal factors, and other social norms (Czinkota & Ronkainen, 2010, p.283). German firms established near the Austrian border would be really good example in this case who may not even identify that their market activities in Austria as global marketing (Hollensen, 2007, p.47). Rather, they think that it is only

an expansion of domestic activities, without being aware to the fact that the products actually is in abroad (Hollensen, 2007, p.47).

According to Czinkota & Ronkainen (2010) Geographic closeness to foreign markets does not always replicate real or perceived closeness to the foreign customers because a foreign market that is geographically close may be psychologically distant. However, the values of managers and customers may vary significantly between markets and it is also possible that too much of focus on the similarities may let the firm avoid the differences (Czinkota & Ronkainen, 2010, p.283). According to some researchers, US firms perceive Canada is much closer than Mexico psychologically (Hollensen, 2007, p.47). England is perceived by many US firms as much closer than Mexico and other Latin American countries mainly because of similarity in language (Hollensen, 2007, p.47).

As the psychological proximity makes it easier for firms to enter markets, so it may be beneficial for the firms to begin this new movement by entering the psychologically closer markets first with the intention of gathering experience before venturing into markets that are farther away (Czinkota & Ronkainen, 2010, p.283).

## **4. PESTEL ANALYSIS OF AUSTRIA**

Before handling food and beverage industry in Austria, this part of the study designates political, economical, social, technological, legal and environmental factors that might have impact on a business by briefly discussing it with the PESTEL analysis of Austria.

The aim of this part is to help the people foresight about how the Austrian market is processed. Other objective of this part of the study is to assist the firms to understand the conditions and procedures in Austrian market, and show ways how to adapt to their business, strategic plans and product development in the business environment of Austria.

Due to lack of information about food and beverage industry in Austria, this research handled PESTEL analysis in general perspective. However, PESTEL analysis is examined in general, it is considered that it will set a light to the research topic and help the reader to make business decisions and prepare for the future.

### **4.1. Political Factors**

For long years, researchers have recurrently indicated that the political system of Austria represents specific features. The existence of two main parties makes the unusual condition in political system on the one hand and moreover, the repealing principle of social partnership as a strong social and political factor on the other, for a long time left its mark on the development of the republic. An essential outcome of this situation is Austria's remarkable political stability and governability today (BPD Austria, 2000).

However, in 1920, Austria became a federal, parliamentary, democratic republic through the Federal Constitution; the political environment of Austria was not stable because of domestic political rivalries and foreign interferences. After World War II, this reestablished parliamentary democracy performed smoothly in what came to be termed the Second Republic. Since the renovation of regulation on democracy in 1945, Austria had reached a stable political system (U.S. Library of Congress, 2014).

Austria is a federal republic consists of nine independent federal provinces which have a uniform monetary, economic and custom entity. These states denominated like that: Burgenland, Carinthia, Lower Austria, Salzburg, Styria, Tyrol, Upper Austria, Vienna

and Vorarlberg. Vienna is the nation's capital and the seat of the supreme federal authorities (Embassy of Austria, 2014).

Two chambers of Parliament named as the "National Council" (Nationalrat) or lower house, and the "Federal Council" (Bundesrat) or upper house enacts federal legislation. The National Council is the essential legislative body. The interests of the federal provinces in Parliament are represented by the latter chamber. The state diets exercise the legislative power of the federal states (The Austrian Foreign Ministry, 2014).

There are 183 deputies of the "National Council" who are selected by all citizens in every five years-sometimes under some special conditions sooner- in a three-tiered system. The National Council may repeal itself by a simple majority vote or the president may suspend it on the counsel of the Chancellor. The members of the state diets are elected by the population of the federal state concerned. The members of the "Federal Council"-currently 61- are elected by the nine state legislatures for 5- to 6-year terms. After the last national parliamentary election on September 29, 2013, the dispersion of the percentage of seats is this way: 52 Social Democratic Party of Austria (SPÖ), 47 Austrian People's Party (ÖVP), 40 Freedom Party of Austria (FPÖ), 24 The Greens (Grüne), 11 Team Stronach and 9 NEOS (The Austrian Foreign Ministry, 2014; Michigan State University, 2014; Federal Ministry for Labour, Social Affairs & Consumer Protection and the Federal Ministry for the Interior, 2014).

When we look at the establishment period of political parties in Parliament today, it goes back to the second half of the 19th century. "In 1873 only six percent of the entire population living in the Austrian part of the Dual Monarchy were entitled to vote in the elections for the House of Representatives of the Imperial Assembly" (Vienna City Administration, 2014).

The rest of the population were not incorporated to the election process and had to attend diverse political movements. However, the new political parties participate of the quarrel against an elective franchise omitting all but a few; they ensured a party organization and political programs. This proceed up to "the First Republic for the universal, equal, direct and secret right to vote for both women and men to be introduced and for general elections to be held for the first time" (Vienna City Administration, 2014).



To sum up, Austria's political environment has been stable for long years and this can be advantage for multinational companies in the decision making process of investment and give rise to a number of marketing implications. That's why, multinational companies can confide in stable political environment of Austria while conducting their business.

## **4.2. Economical Factors**

The context of this part of the study illustrate assessment of the Austria's economy, as well as the country's performance in terms of Gross Domestic Product (GDP) growth and inflation rate, financial and monetary situation, employment, and international investment position. As the notions that are mentioned above play a curial role to enable the firm to frame plans and policies on the process of developing a strategy and selecting the best option for the success.

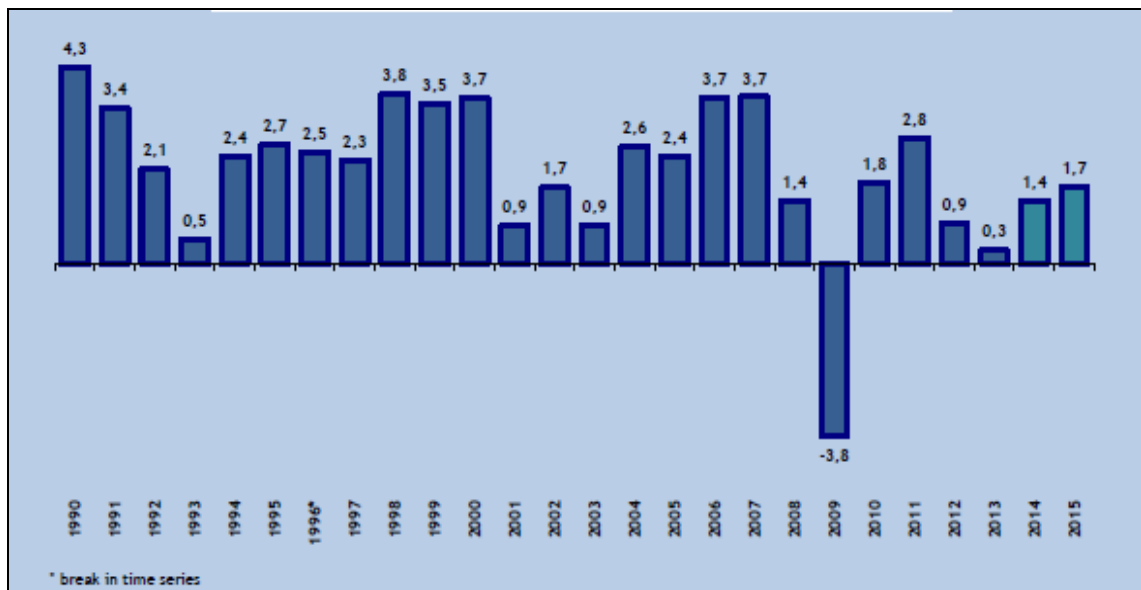
Since its entrance to the European Union in 1995, Austria has applied appreciable structural revisions and adjustments, consequently these has undoubtedly made contribution to Austria's positive economic development and achieved remarkable level of well being (BPD Austria, 2000). Therefore, Austria has a very well-developed market economy characterized with a high standard of living and skilled labor force (Index Mundi, 2013).

The Austrian government, economic institute and analysts generated five standards called "magic pentagon" in order to make the evaluation of the country's economic policies and general economic situation. These standards are as follows: "keeping the GDP growth rate as high as possible; maintaining the current account balance as high as possible; keeping employment as high as possible; holding down the inflation rate as much as possible; keeping the government deficit as low as possible" (David & McClave, 1993, p.130).

Austria has been one of the wealthiest countries, both in the European Union and all around the world in terms of GDP per capita. When Austria's economic growth rate is observed -in terms of change in real GDP- in the last decade, we can obviously see that the highest GDP growth rate occurred in the years of 2006-2007 (3.7%). The global financial crisis and international economic downturn in 2008 affected Austria's economy negatively. In the wake of this global financial crisis, GDP growth slowed

down in 2008 (+1.4%), and there had a sharp decline in GDP growth in 2009 (-3.8%). But, fortunately Austria's economy recovered expeditiously and economic growth resumed to 1.8 % in 2010 and 2.8% in 2011. Even though, a slight slowdown could be observed from 2012 till 2013. For 2014, the Austrian Institute of Economic Research (Wirtschaftsforschungsinstitut-WIFO) forecasts economic growth (change in real GDP) for the year 2015 by 1.7 % from 1.4 % in 2014 (see Figure 6).

**Figure 6: Economic Growth 1990-2015 (change in real GDP (in %))**



Source: Statistics Austria & WIFO, June 2014

According to the Oesterreichische Nationalbank (OeNB) economic outlook report which is published in June 2014, “estimates that exports will continue to be the main driver of the upswing this year, benefiting from the gradual recovery in the euro area and the moderate improvement in the global economy. HICP inflation is expected to decrease to 1.8% in 2014 and to 1.7% in 2015. Inflation will also remain moderate in 2016 (1.9%)” (OeNB, 2014).

Last indicators of World Bank represent the GDP per capita in Austria as 43084.90 US dollars in 2013, when adjusted by purchasing power parity (PPP). “The GDP per Capita, in Austria, when adjusted by Purchasing Power Parity is equivalent to 196 percent of the world's average. GDP per capita PPP in Austria averaged 37388.56 USD from 1990 until 2013, reaching an all time high of 43138.86 USD in 2012 and a record low of 30196.73 USD in 1990” (Tradings Economics, 2014a) (see figure 7).

**Figure 7: Austria GDP per Capita PPP**



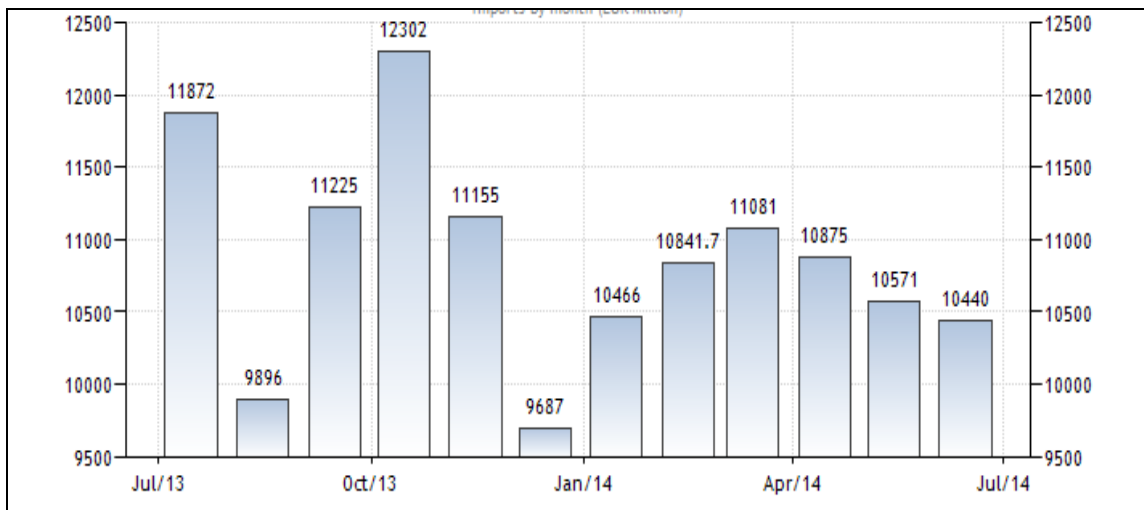
Source: [www.tradingeconomics.com](http://www.tradingeconomics.com); World Bank

According to Statistics Austria, the amount of turnover of the Austrian foreign trade between January to December 2013 (final results) represented a decline with respect to imports and an escalation in export compared to the results in 2012. The level of imports of goods of Austria decreased by 1.0 per cent to €130.71 billion, Austrian exports rose by 1.8 per cent to €125.81 bn. (Statistics Austria, 2013).

Besides, foreign trade with EU countries indicated counterpart development; arrivals snaked with the amount of 0.7 % to €93.17 bn and dispatches rose increased 1.6 % to €86.74 bn). Considering that foreign trade with third-countries demonstrated a decline for imports with the amount of 1.7 % to €37.54 bn and designated a growth for exports with 2.4 % to €39.07 bn. The Austrian trading of goods balance deficit amounted to €4.90 bn while the balance had shown a deficit of €8.44 bn in 2012 (Statistic Austria, 2013).

When imports in Austria analyzed in detail for the year of 2014, it is seen from figure 3.3. That highest import amount was 12302 EUR Million in October 2013 and the lowest import amount occurred in January 2014 which corresponded to 9687 EUR Million. “Imports in Austria averaged 3340.66 EUR Million from 1953 until 2014, reaching an all time high of 12302 EUR Million in October of 2013 and a record low of 61 EUR Million in January of 1953” (Tradings Economics, 2014b) (see figure 8).

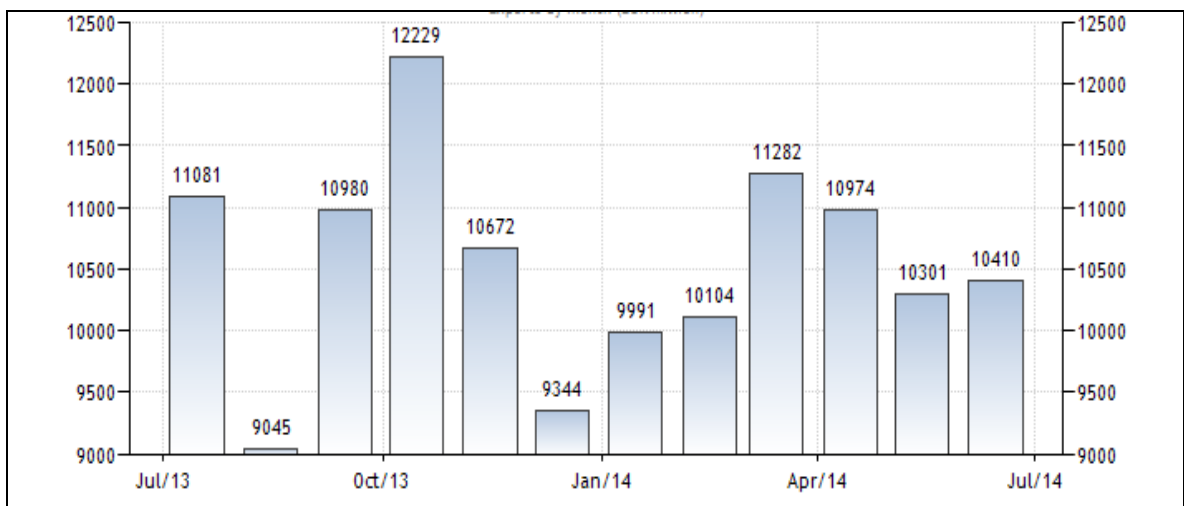
**Figure 8: Austria Imports (Imports by month (EUR Million))**



Source: www.tradingeconomics.com;StatisticsAustria

When examining figure 9, it is obviously discerned that, August 2013 was the worst month for Austria in terms of export which accounted for 9045 EUR Million. The highest amount of export accrued in October 2013 which corresponded with 12229 EUR Million. “Exports in Austria averaged 3056.17 EUR Million from 1953 until 2014, reaching an all time high of 12229 EUR Million in October of 2013 and a record low of 59 EUR Million in February of 1953” (Tradings Economics , 2014c) (see figure 9).

**Figure 9: Austria Exports (Exports by month (EUR Million))**



Source: www.tradingeconomics.com;Statistics Austria

| Table 1: Balance of foreign trade and percentage of country groups     |            |         |                                |                |                             |
|--|------------|---------|--------------------------------|----------------|-----------------------------|
| January - December 2013  |            |         |                                |                |                             |
| Previous year final results, current period final results <sup>1</sup> |            |         |                                |                |                             |
| Country groups   | Percentage |         | Import(-)-, export(+)- surplus |                |                             |
|  |            |         | Jan.-Dec. 2013                 | Jan.-Dec. 2012 | %change on<br>previous year |
|  | Imports    | Exports | €1 000                         |                |                             |
| Total  | 100.0      | 100.0   | -4 895 088                     | -8 438 509     | -42.0                       |
| Europe   | 81.5       | 80.3    | -5 510 628                     | -9 211 368     | -40.2                       |
| Africa   | 1.9        | 1.3     | -843 674                       | -868 369       | -2.8                        |
| America  | 4.5        | 8.2     | 4 423 052                      | 4 690 351      | -5.7                        |
| Asia   | 12.0       | 9.5     | -3 780 468                     | -3 854 208     | -1.9                        |
| Australia /Oceania   | 0.1        | 0.7     | 765 077                        | 733 996        | 4.2                         |
| EU-28  | 71.3       | 68.9    | -6 430 447                     | -8 412 680     | -23.6                       |
| Eurozone   | 57.8       | 51.9    | -10 197 059                    | -11 722 358    | -13.0                       |
| EUMS-13 (since 2004)   | 14.2       | 16.8    | 2 492 670                      | 2 178 300      | 14.4                        |
| EWR  | 71.7       | 69.8    | -5 904 530                     | -8 286 639     | -28.7                       |
| EFTA   | 5.6        | 5.9     | 41 303                         | -511 075       | -108.1                      |
| Riparian countries Austria   | 59.5       | 52.6    | -11 560 626                    | -12 336 934    | -6.3                        |
| Non-EU countries   | 28.7       | 31.1    | 1 535 359                      | -25 830        | -6.044.2                    |
| OECD   | 81.9       | 81.7    | -4 291 898                     | -6 733 511     | -36.3                       |
| OECD - Europe  | 75.9       | 72.1    | -8 459 037                     | -10 877 705    | -22.2                       |
| OECD - Overseas  | 6.0        | 9.6     | 4 167 139                      | 4 144 194      | 0.6                         |
| CIS  | 4.4        | 4.0     | - 615 774                      | -1 828 719     | -66.3                       |
| CIS - Europa   | 3.0        | 3.5     | 559 302                        | -797 390       | -170.1                      |
| CIS - Asien  | 1.4        | 0.5     | -1 175 076                     | -1 031 329     | 13.9                        |
| Eastern Europ. Countries   | 17.8       | 21.0    | 3 136 142                      | 1 643 791      | 90.8                        |
| CEEC   | 14.8       | 17.4    | 2 576 840                      | 2 441 181      | 5.6                         |
| WBL  | 0.6        | 0.9     | 268 759                        | 375 027        | -28.3                       |
| LDC  | 0.4        | 0.2     | -173 370                       | -75 730        | 128.9                       |
| OPEC   | 2.1        | 2.1     | -17 256                        | -481 163       | -96.4                       |
| ASEAN  | 1.4        | 1.3     | -127 642                       | -48 063        | 165.6                       |
| NAFTA  | 3.8        | 6.8     | 3 510 138                      | 3 577 560      | -1.9                        |
| MERCOSUR   | 0.4        | 0.9     | 609 686                        | 876 930        | -30.5                       |
| BRICS  | 8.7        | 6.8     | -2 804 044                     | -3 725 961     | -24.7                       |

Source: Statistics Austria; Compiled on 27 June, 2014.

<sup>1</sup> **EU-28 - European Union:** France, Belgium, Luxembourg, Netherlands, Germany, Italy, United Kingdom, Ireland, Denmark, Greece, Portugal, Spain, Sweden, Finland, Malta, Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Cyprus, Romania, Bulgaria, Croatia, incl. Stores and Provisions Intra, Countries and Territories not determined Intra.  
**EUROZONE** - France, Netherlands, Germany, Italy, Ireland, Greece, Portugal, Spain, Belgium, Luxembourg, Finland, Slovenia, Slovakia, Malta, Cyprus, Estonia.  
**EUMS-13 (since 2004) - new EU-Member States since 2004:** Malta, Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Cyprus, Romania, Bulgaria and Croatia.  
**EFTA - European Free Trade Association:** Iceland, Norway, Liechtenstein, Switzerland.  
**Non-EU countries:** Total minus EU-28  
**OECD** - Organization for Economic Cooperation Development  
**CIS - Commonwealth of Independent States:** Ukraine, Belarus, Republic of Moldova, Russian Federation, Armenia, Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Kyrgystan.  
**Eastern European countries:** Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Albania, Slovenia, Croatia, Bosnia-Herzegovina, Kosovo, Macedonia, Montenegro, Serbia, Ukraine, Belarus, Moldova Rep., Russian Federation.  
**CEEC - Central and Eastern European countries:** Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Albania, Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Montenegro, Macedonia, Kosovo.  
**WBL - Western Balkans:** Albania, Croatia, Bosnia-Herzegovina, Kosovo, Macedonia, Montenegro, Serbia.  
**LDC** - Least Developed Countries  
**OPEC - Organisation of the Petroleum Exporting Countries:** Algeria, Libyan Arab Jamahiriya, Nigeria, Venezuela, Iraq, Islamic Republic of Iran, Saudi Arabia, Kuwait, Qatar, United Arab Emirates, Angola, Ecuador.  
**ASEAN - Association of South-East Asian Nations:** Myanmar, Thailand, People's Democratic of Lao, Vietnam, Cambodia, Indonesia, Malaysia, Brunei Barussalam, Singapore, Philippines.  
**NAFTA - North American Free Trade Agreement:** USA, Canada, Mexico.  
**MERCOSUR - South American Free Trade Agreement:** Brazil, Paraguay, Uruguay, Argentina.  
**BRICS:** Brazil, Russian Federation, India, People's Republic of China, South Africa.

When balance of foreign trade examined per country groups, it is obvious that the highest rate in Austria made from Europe with 81.5 % and the lowest is from Australia with 0.1 %; the highest export rate again is Europe with 80.5 % but the lowest export rate is occurred in the least developed countries with 0.2 %. (For detailed country information see table 3.1).

Another reason of Austria's having stable economy is low unemployment rate. Labor markets both labor supply and employment has been remaining to thrive substantially through long ages. The unemployment rate was 7.6% (national criteria) in 2013 and this amount expected to be changed only 0.2 % in 2014 and supposed to reach 7.8 %. But, Eurostat expects to have decrease in the unemployment rate for 2015 and remain broadly stable at 4.9% to 5.0% over the forecast horizon. This makes Austria the country which records the lowest unemployment rate throughout the euro area. As a consequence, Austria attained a peak position both in EU and worldwide with its high employment rate (OeNB, 2014; Bank Austria, 2013; ABA, 2014a).

### **4.3. Social Factors**

Understanding social environment of the countries is one of the most important issue for both national and multinational companies in order to position their products and services with a right market entry strategy before releasing the product in the market. From understanding social environment companies can comprehend the needs and wants of consumers and require extensive knowledge of environment, as well as risk, threats and opportunities might existing.

In social environment, the most substantial considerations in assigning the right place to which subculture a person pertain depend on geographic location (rural/urban area), socio-economic status, and profession. When investigating social environment of Austria, the first salient points that come across are Austria's high living standards, security and environmental quality as well as having rich culture. Tough, social welfare, cohesion and solidarity are of the highest significant feature of Austrian society.

In past, Austrian society was characterized with clear social distinctions and there was low degree of social mobility. "Social relations between aristocrats and commoners, masters and servants, large landowners and peasant-farmers, employers and employees

were hierarchical and well defined, and the use of titles as a reflection of rank or social status was important” (Solsten & McClave, 1993, p. 94).

Solsten & McClave (1993) define Austria in their study as follows: “Austria has a highly developed welfare state that provides a broad spectrum of social security and health care benefits. Austrians have also developed a new and unprecedented national consciousness” (Solsten & McClave, 1993, p.68).

According to the Austrian Census Report 2001, official language of Austria is German is the first language of 88.8% and other mainly used “languages are Turkish (spoken by 2.3%), Serbian (2.2%) and Croatian (1.3%)” (World Population Review, 2014).

The results of Austrian Census Report 2011 indicate that the total population of Austria is 8 .401. 940. There is a considerable extent of increase in population when comparing amount of the population between 2001 and 2011. The reason of severe growth is mainly raised from migration, while the balance of births and deaths is only marginally positive. The highest population growth between 2001 and 2011 is seen in Eastern Austria with 7.1 %, particularly in Vienna with 10.6 %. (Austrian Census Report, 2011, p.22).

The majority of Austrian population (73.6 %) are Roman Catholics, while a further 4.7 % are Protestants and 4.2 % are Muslims. 12 % of population are nondenominational (World Population Review, 2014). As it can be seen that Austria is “surrounded by so many other cultures, Austria has often been subjected to cultural ‘invasions’, which are a source of the differences among the provinces” (Advameg, 2014).

Examining that the educational structure of Austria, it has been seen that the majority of individuals in Austria (2.302.563) have an apprenticeship education level. The second highest majority (2.032.240) covers individuals who have solely completed compulsory school. The rest amounts of individuals (1.031.066) have qualifications from an intermediate technical and vocational school (Austrian Census Report, 2011, p.35).

#### **4.4. Technological Factors**

Recent years, with the impact of globalization, change in technological environment has been expanding at an exponential rate. These technological evolution directly effects the way of doing business of companies and evolving ways to succeed in business, because

with the advancement in technological products and processes can increase efficiency, productivity, and decrease costs. For this reason, the companies seek to find effective ways of preventing or combating these factors and pursue with new trends and innovative services, which other rivals offer in the market. Therefore, knowing technological environment of a country is considered as another prominent factor for companies before developing a market entry strategy in order to survive in competitive environment.

When taking a glance of Austria's technological environment, it is surmised that Austria attaches importance to technological changes and endeavor to support its economy with future-oriented innovations and developments. Thus, Information and Communication Technology is "one of Austria's key business sectors, and is even bigger than the tourism industry when measured against the country's GDP" (ABA, 2008). As a result, Austrian companies are well known in the global market with the technologies that they manipulate, "particularly in the fields of environmental engineering and energy, life sciences, infrastructure and traffic technology, as well as mechanical and power plant engineering, automation, and communication technology" (Advantage Austria, 2011).

However, the investments in innovation in Austria are made in high quantity, among the international innovation rankings, Austria's position scaled down in a couple of years. Because, other countries in the world have also condensed their innovation activities, as a consequence there has been a push toward devastating competition in the worldwide.

In five international innovation rankings<sup>2</sup>, "Austria currently ranks 11th to 20th among OECD and EU member states. Austria made great progress in the Innovation Union Scoreboard from 2004 to 2009" (Austrian Research and Technology Report, 2014, p.9), though by the year of 2013, its position had regressed to its original ranking from the early part of 2000s. Innovation Union Progress Report<sup>3</sup> indicates that, "Austria also lags significantly behind the innovation leaders in the five indicators cited but shows much higher growth rates than both the lead group and the EU as a whole in the period from 2000 to 2010" (Austrian Research and Technology Report, 2014, p.9).

---

<sup>2</sup>These five international rankings are as follows: the Innovation Union Scoreboard and EU 2020 Innovation Indicator of the European Commission, the Global Innovation Index of INSEAD and WIPO, the Innovation Indicator of Deutsche Telekom Foundation and BDI, and the innovation-related indicators of the Global Competitiveness Index of the World Economic Forums

<sup>3</sup>The Innovation Union Progress Report is issued by the European Commission which is a specific research on innovation among EU member states.



In 2014, Austrian Research and Technology Report pronounced that, “the latest global estimate from Statistics Austria (May 2014) projects total expenditure on research and development (R&D) in Austria of € 9.32 billion in 2014. This represents an increase of € 248 million or 2.73% (nominally) over the previous year. The result is R&D intensity – ratio of R&D expenditure to GDP – of 2.88% in 2014, meaning that current forecasts show a virtual stagnation of R&D intensity compared to 2013 and 2012” (Austrian Research and Technology Report, 2014, p. 7).

On 8 March 2011, Austrian Government applied a long- term framework which target as part of a vision that provides orientation for its research, technology and innovation strategy. Its goal “was and still is to make Austria one of the most innovative countries in the EU by 2020. One expression of this objective is to raise the R&D intensity to 3.76% of GDP by 2020” (Austrian Research and Technology Report, 2012, p.8).

In order to achieve its aim, Austrian federal government prosecute transforming the contexture the corporate sector in the way of research condensed industries, mean time advancing the number of firms that conduct systematic research and development (Federal Ministry for Transport, Innovation and Technology, 2011).

#### **4.5. Environmental Factors**

Environmental factors designate to ecological and environmental perspective that can particularly influence industries such as tourism, farming, and insurance. Additionally, climate change is substantial issue recent years for all industries, as changes in the climate impacts companies` operation and production in the process of generating new markets and devastating the existing ones. Besides, the companies endeavor to give a space to innovation and notion of Green Business.

Austria faces numerous numbers of similar problems with environmental issues as well as many developed countries. Subsequent to the world war, Austria`s supreme priorities were only reorganization and promoting the industrial development. Solely in the later period of 1970s, Austria became conscious about importance of environmental issues that the precautions and prosecutions were taken by federal government.

Along with the regulations and standardization processes which are promulgated by the federal government, Austria become “the global leader in technologies such as waste management, wastewater treatment, contaminated site remediation, solar energy and air pollution control technologies” (ABA, 2014b).

In 1978, Austria rejected to use nuclear energy which was one of the first countries to do so worldwide, has come about a sort of national narrative, in which Austria is proud to be in the pioneer of illuminated environmental consciousness. Austria is disposed to lecture other countries, comprising its neighbor countries in Europe, about the need to increase the standards of ecology. But when has come to the practical application of decreasing CO<sub>2</sub> emissions, Austria has fallen behind its peers. The genuine power of specific interests (such as the automobile associations, goods transporters, and industry) has thus far proven too strong to accomplish (Sustainable Governance Indicators, 2014).

Apart from these, Austria has focused on to build up standardized activities on waste with the principle of “avoiding instead of producing waste” for more than thirty years, during the waste generated is treated in line with the principle of “separating and recycling”. The second main topic of environmental standardization is water, quality and treatment of water. Environmental concerns, especially in Austria do not include only the topics such as water and waste. Additionally, the issues such as radiation protection, soil quality, acoustics and vibrations were incorporated to the agenda quite recently and their integration into European standardization progresses step by step (Koiner, 2014).

In 1984, a law was enacted on toxic waste that involved a series of rigid standards for the collection, transportation and removal of hazardous materials. The Austrian federal government has made great works in order to diminish sulphur dioxide emissions by 2/3 with the method of posing regulations on gas emissions. In the beginning of 1990s Austria was releasing 56.6 million metric tons of carbon dioxide, placing them in the top 50 countries; in 1996 the amount of carbon dioxide scaled up 3.3 million metric tons and reached the quantity of 59.3 million metric tons. Austria is also facing with the problem of acid rain, which has damaged 25% of the country's forests. Many species, comprising the damselfly, the large blue butterfly and the European mink, have become damaged on account of the pollution of the forests by acid rain. Today, a sustainable

benefit cannot be derived even from the crops and many farms survive only through financial state supports by Austria or the European Union (Issues of Austria, 2010).

Besides, Austria does not have nuclear power plant and interrelated domestic fossil energy resources, so the issues of renewable energies and energy efficiency have been a vital political theme during the last centuries. Renewable energies encompass the amount of 23% of the total primary energy supply by being the one of the highest in Europe and has assured an influential economic branch and well developed know how in this segment. By a large number of national and regional support programmes Austria's consisting a considerable amount of national and regional support programmes induced Austria to have a European wide leading status in the use of biomass, solar thermion and hydropower as well as in energy efficiency for buildings. Particularly in the industry, "passive houses", Austria takes together with Germany a worldwide leading status (ASPECT, 2007, p.23).

Recently, Austria was acknowledged as a leader in the extent of eco-innovation by the European Commission which asserts that Austria in on the right way with its regulations and implementations. It is a milestone to promote Green procurement in Austria (naBe-Actionplan, 2012, p.1).

Austria's main environmental regulations are as follows:

- "the Environmental Impact Assessment Act 2000, BGBl 1993/697 idF BGBl I 2009/87;
- the Trade Act, BGBl 1994/194 idF BGBl I 2010/66;
- the Federal Waste Management Act 2002, BGBl I No 2002/102 idF BGBl I 2009/115;
- the nine Waste Management Acts of the provinces;
- the Waste Register Ordinance, BGBl II 2003/570, idF BGBl II 2008/498;
- the Water Act, BGBl 1959/215 idF BGBl I 2011/14 and more than 35 regulations on water;
- the Clean-up of Contaminated Sites Law, BGBl 1987/79 idF BGBl I 2009/52;

- the Directive on Funding Clean-Up of Contaminated Sites 2008;
- the Forest Act, BGBl 1975/440 idF BGBl I 2007/55;
- the Chemicals Act, BGBl I 1997/53 idF BGBl I 2009/88;
- the Chemicals Ordinance, BGBl II 2000/81 idF BGBl II 2008/393;
- the Public Administration Criminal Law, BGBl 1991/52 idF BGBl I 2009/135;
- the Criminal Act, BGBl 1974/60 idF BGBl I 2010/38;
- the Air Pollution Impact Act, BGBl I 1997/115 idF BGBl I 2010/77;
- the Ozone Act, BGBl 1992/210 idF BGBl 2003/34;
- the Federal Act on a System for Trading Allowances, BGBl 2004/46 idF BGBl 2010/111;
- the Industrial Accident Ordinance, BGBl II 2002/354 idF 2010/14;
- the Environmental Subsidies Act, BGBl 1993/185 idF BGBl 2009/52;
- the Air Pollution Act for Boiler Facilities, BGBl 150/2004 idF 2010/65;
- the Mineral Resources Act, BGBl 1999/38 idF 2010/65;
- the Federal Environmental Liability Act, BGBl 2009/55;
- the nine Building Acts of the provinces;
- the nature conservation laws of the provinces;
- the Land Use Planning Acts of the provinces; and
- the fishery laws of the provinces” (Schmelz & Rajal, 2012).

To sum up, the implementations and regulations with the cooperation of the government that are invoked with the result of cooperation of the Federal Ministry of Agriculture, Forestry, Environment and Water Management, Austria become leader position in some issues in ecological topics. On the other hand, Austria has been able to correlate innovation and environmental protection splendidly.

## 4.6. Legal Factors

Shortly after World War II, “on 1 May 1945, Austria's Constitution of 1920 as amended in 1929, which was notably drafted by Professor Hans Kelsen, was re-enacted. However, it took ten more years until Austria's full sovereignty was re-established by the conclusion of a state treaty on 15 May 1955 between Austria and the Allies, France, the UK, the USA and the USSR” (Oehlboeck & Gerstner, 2005). In the same year, the changes proceeded, Austria proclaimed its permanent neutrality and put into practice by constitutional law and became a member of the United Nations on 14 December 1955 six months after regaining its full independence with the signing of the State Treaty. Ending 40 years of neutrality, Austria joined the European Union on 1 January 1995, and also became a member of the European Currency Union. “The Austrian legal system is based on the civil law tradition and has its origin in Roman law. As shown below, Austria’s law consists of public law, private law and criminal law” (Oehlboeck & Gerstner, 2005).

Essential responsibilities of Austrian courts are “civil law matters (such as legal disputes over contractual claims, claims for damages, property litigation), labor and social law matters, non-litigious matters (such as inheritance cases, custody arrangements, maintenance claims of minor children), execution matters, bankruptcy and debt composition cases, as well as criminal matters” (Federal Ministry of Justice, 2009, p.8).

The company registrations and preserving the land are very important issues for Austria’s federal government, as Austria is well known as its specific quality as a business location that these matters are also in the responsibility of the courts (Federal Ministry of Justice, 2009, p.8).

There is a difference between two main jurisdictions in the Austrian court system: tribunals and courts concerning with public law, and courts of ordinary jurisdiction, concerning with issues such as private law, criminal law and aspects of competition law. Case law might be assumed persuasive in private law cases, though it is not inceptive. Constitutional Court (Verfassungsgerichtshof) is the highest court of the public law jurisdiction and Supreme Court (Oberster Gerichtshof) is the highest court of ordinary jurisdiction (Springshare, 2014).

The enjoyment of human rights and fundamental freedoms in all fields of civil rights of the citizens were first assured in 1867. These rights were seized upon and included into the present Constitution, associated with the rights ensured by the European Convention on the Protection of Human Rights and Fundamental Freedoms of November 4, 1950, which was endorsed by Austria in 1958 (Oehlboeck & Gerstner, 2005).

Labor rights are strictly protected by Austrian government and many labor organizations exist in Austria which protects and guides employee, plays important role in business environment. Act Governing the Employment of Foreign Nationals (AusIBG) is the most relevant law for foreign employees is the AusIBG. According to Austrian laws, employees from Austria have right to work abroad only for a temporary assignment. However, employees who have plans to work abroad on a long-term basis is not allowed (as long as a choice of law has been agreed on, in which case, the more favorable provisions of the foreign law apply to the work relationship) (Birkner& Gurmman, 2008,p.41).

Austria's business-friendly tax system and tax incentives of government always relate to qualifying assets or expenditure and make the Austrian business environment more attractive. "Profits are taxed with a standard tax rate of 25%- a strong showing even in comparison to the new EU member states. A levy such as trade or net worth taxes (the norm in other European countries) does not exist in Austria" (Market Research Reports, Inc., 2014).

As it is mentioned the properties of Austria's society in social environment part of the study, a person can quite easily estimate that the level of crime will be lower than other countries. Austria's crime rate is in moderate level. Criminal codes and criminal procedure codes are clarified. Practices associated with "criminal justice and the penal system are fair by European standards, although questionable conduct by the police and the secret service has been investigated and reforms have been instituted" (David & McClave, 1993, p.224).

In brief, low crime rate and high level of legal certainty and tax incentives are remarkable characteristics in the legal environment. The factors particularly make the Austrian market attractive and effective for the companies.

## **5. FOOD AND BEVERAGE INDUSTRY**

This part gives information about food and beverage industry of Austria with statistical data in recent years in order to enlighten for possible entry strategies of multinational companies in Austria. Before giving insights about Austria, food and beverage industry is briefly discussed from general perspective to indicate the position of Austria among EU countries.

### **5.1. General Overview of Food and Beverage Industry**

Taking a glance to food and beverage industry in the world which involves farming, food and beverage manufacturing, distribution, retail and catering, we see that this sector has fractionated structure and stabilized growth which made it one of the main boosters of all economies. The industry is dominated by a few large powerful players- Nestlé, Kraft Foods, Unilever and Cargill-correspond with less than 5 percent of the overall value. The fundamental issue encountered with the industry is increasing food pricing, escalating increasing transportation costs due to increase of oil prices and diminution of consumer spending. Despite all, food and beverage industry has been proportionally less influenced in comparison to other industries. This is primarily referred to factor that food products remain to be vital for consumers despite the slowdown (IMAP, 2010).

In developing countries, the factors that are influencing the augmentation in the food and beverage industry are dissimilar from those in developed countries. Even though, the population increase, convenient demographics and escalating income levels are supposed to be supreme triggers in developing countries, increasing health consciousness and growth in need for convenience foods are expected to prompt growth in developed countries. Furthermore, as per UN projections, the global population is envisaged to increase from 6.8 billion to 9 billion by 2050 with developing economies corresponding with more than 85%. Consequently, food manufacturing will have to raise up by 70 % to support an additional 2.2 million people in 2050, thus will lead to salient growth potential for the industry (Finfacts,2009).In 2008 , the industry was utilized at \$5.7 trillion USD and is anticipated to rise to \$7 trillion USD in 2014 (Dow Jones Factiva, 2010).

When examining the industry in the EU, we see that food and beverage industry is pivotal part of EU economy which plays crucial role in facilitating to attain the goals created under the EU 2020 Strategy to ensure smart, sustainable and inclusive growth towards generating a more competitive economy. The industry ranks among the top three manufacturing industries in terms of turnover and employment in several Member States. France comes first; Spain follows as a second in the ranking, and then proceeds with the countries such as the UK, Denmark and Belgium. The proportion of the food and beverage industry employment exceeds 15% in more than half of the Member States. EU's largest food and beverage manufacturers are Germany, France, Italy, the UK and Spain (Food Drink Europe, 2011; Food Drink Europe, 2014a).

In the EU, there are various sub-sectors in food and beverage industry. "The top 5 sub-sectors are meat sector, bakery and farinaceous products, dairy products, drinks and "various food products" category which indicate 76% of the total turnover and more than four fifths of the total amount of employees and enterprises. The meat sector is the largest share with 20% of total turnover. "Bakery and farinaceous products" sub-sector comprises the largest number of SMEs" (Food Drink Europe, 2014a, p.8).

In 2010, the exports to third countries amounted to €65.3 billion and trade balance accounted for €9.8 billion (Food Drink Europe, 2011, p.16). The industry was scaled up expeditiously and reached an annual turnover of €956.2 billion and conducted 4.1 million jobs in 2011 (Food Drink Europe, 2011, p.14). The total amount of exports reached to €21.4 billion and the total value of exports increased in line with a higher export volume (+4.6%). (Food Drink Europe, 2014b, p.9).

## **5.2. Food and Beverage Industry in Austria**

Austrian domestic market is represented by a lurid dispersion of agricultural, commercial and industrial producers who manufacture food, drinks and animal feed worth over EUR 13 billion for many years. The food and beverage industry is a key point that influences economic output of Austria positively, so that, the industry is valued as one of Austria's most prominent economic sectors and works in the interest of consumers to supply safe, high quality food and drink at a fair price, day in, day out (FIAA,2013, p.1).



Even though the industry is key contributor of Austria's economy, generally, there exist serious problems due to excessively high concentration in the retail industry, raising severe competition in global markets, and increasing numbers of consumers that are becoming more selective, conscious and critical. These problems induce the necessity to invent and release new innovative products and in order to compete in global market it should compensate its position with the increasing amount of export. When Austrian Food Industry is compared with other European countries, the industry mainly comprises of small and medium-sized enterprises that mostly have scarce knowledge, skills and resources to advance new successful innovative products and capture new market places. The main and critical problem in Austria's Food and Beverage industry started with the accession of Austria to the European Union. However, there had been new regulations of the law which had conduced affirmative evolvement and an influx of foreign investors.

After regulations, Austrian government published "Food Report 1997" which was the first step of a periodic Food Report Law in Austria. In contrast to traditional reports on food, main focus of this report was to create integrated market process which fulfill both from the demand-side and supply-side substitutability by mainly using economic and socio-cultural factors. The objective of this report was to engender an impulse for a closer cooperation between all relevant departments and stakeholders (2. Lebensmittelbericht Österreich, 2003, p.36). After this report, the regulations, and consolidation process resumed until 2007. There had been 36% of decline with the number of food processing firms from 346 in 1995 to 220 in 2007, and marginally raised to 227 in 2010. Austrian Ministry of Agriculture began to introduce several promotional initiatives with the food industry and the retail sector to overcome the breakdown and diminishment. These initiatives lay emphasis on local origin, uniqueness of local ingredients, environmental friendly, sustainable and organic production (USDA Foreign Agriculture Service, 2012, p.3).

The struggle for market share in Austrian food retail – which is mainly battle through continuing promotions, regular "record low prices" and "best-price guarantees" – has been ardently felt by suppliers. The focal point of the latest price war face between Rewe/Billa and Spar is on hyping their own-label products, which is leading classic discount stores to increase their focus on branded products. The concentration process in Austrian food retail continues to become more pronounced and the three largest

retailers in Austria (Rewe/Billa, Spar, Hofer) now hold a market share of around 85% (FIAA, 2013, p.1). The major "Big Player" in Food and Beverage industry in Austria are in such a way that: BBAG (Brau-Beteiligungs AG), Red Bull, AGRANA, Berglandmilch, Unilever Austria, Vivatis, Kraft Jacobs Suchard, Andert Fleischwaren und Rauch. Overseas competition is significant here, as well as the high pressure on prices from the retailers (Mörixbauer, 2004). As mentioned above, industry consists of a vast number of innovative small and medium-sized enterprises (SMEs) that cut a wide swath of companies in international markets and trade fairs such as Anuga which is the world's biggest trade fair for food products that occurs twice yearly in Cologne, Germany; the Cheese Olympics, etc. by winning awards and gold medals (The Austrian Federal Economic Chamber & Austrian Trade, 2008, p.3).

In addition, Austrian products have gained a worldwide excellent reputation owing to their high quality and unique products which gave rise to the development of the volume of exports. By the way, this good reputation triggered a boom in international demand for organic and convenience products and functional food has furthered the upward trend and also represents the importance of Austrian products (The Austrian Federal Economic Chamber & Austrian Trade, 2008, p.6). Also, Austria is acquainted as champion of Europe with its organic products; therefore it has the highest amount of export. The meat/processed meats grain/baked products and milk/milk good groups have come about the most growth of all (The Austrian Federal Economic Chamber & Austrian Trade, 2008, p.3).

In Austrian food and beverage industry, the beverage sector is the most profitable and active. The most preferable and widespread export products in beverage industry are "energy drinks, carbonated drinks and iced teas. However, fruit juice, beer, sparkling wine, brandies and Austrian wines also have a loyal following abroad" (Advantage Austria, 2010, p.12). When examining both food and beverage industry, Austrian products that are favorable for export comprise agricultural manufacture like "meat and meat products, milk and grain, and also nuts, fresh and dried fruits, fruit concentrate, coffee, gluten-free baked goods, sweets and confections, ready-to-serve meals, fun (e.g. Belly Washer) and wellness drinks, energy drinks and organic foods. Some examples of others are pumpkin-seed oil, spices, savory biscuits and other snacks, marmalade and jam, vegetables, food supplements, breakfast cereals and muesli, organic candies, vinegar, chocolate, wine and spirits, organic fruit juices and natural Alpine spring

water” (The Austrian Federal Economic Chamber & Austrian Trade, 2008,p.14). From the type of the products that are available to export, the most famous product groups are mainly energy drinks, soft refreshments and iced-tea beverages, traditional Austrian candies, pastries and counterpart sweet delights (The Austrian Federal Economic Chamber & Austrian Trade, 2008, p.26).

In view of Austria’s position among the other EU countries in food and beverage industry, we see that Austria rank in 12th position out of 25 countries with EUR 12.6 bn turnover and 3,921 companies in 2011 (see figure 10). However, in 2012, there eventuated a sharp decrease within the number of food and beverage companies in which the number of companies reached from 3.921 to 3.740, there had been EUR 6.6 bn increase with the turnover (See figure 11.)

**Figure 10: Food and Beverage Industry Data as published by Food Drink Europe Federations, 2011**

|                | Turnover  | Value added | Number of employees | Number of companies |
|----------------|-----------|-------------|---------------------|---------------------|
|                | € billion | € billion   | 1,000               |                     |
| Austria        | 12.6      | 4.7*        | 58                  | 3,921*              |
| Belgium        | 44.5      | 6.7         | 89                  | 4,912               |
| Bulgaria       | 4.7       | 0.8*        | 99*                 | 5,612               |
| Cyprus         | 1.5       | 0.4*        | 13*                 | 863                 |
| Czech Republic | 11.3      | 2.9         | 105                 | 8,360               |
| Denmark        | 25.4      | 3.2         | 55                  | 1,610*              |
| Estonia        | 1.5       | 0.3         | 13                  | 422                 |
| Finland        | 11.3      | 2.5         | 33                  | 1,900               |
| France         | 157.2     | 29.3        | 500                 | 10,000              |
| Germany        | 163.3     | 11.5        | 550                 | 5,960               |
| Greece         | 11        | 1.4         | 65                  | 1,180               |
| Hungary        | 8.3       | 2.0         | 97                  | 6,556               |
| Ireland        | 22.0      | 6.0*        | 43                  | 689                 |
| Italy          | 127.0     | 24.2        | 408                 | 6,300               |
| Latvia         | 1.6       | 0.3*        | 25*                 | 788                 |
| Lithuania      | 3.6       | 0.6*        | 42*                 | 1,205               |
| Netherlands    | 59.2*     | 14.3        | 131                 | 4,385*              |
| Poland         | 49.7      | 8.9*        | 403*                | 13,708              |
| Portugal       | 14.5      | 2.9         | 110                 | 10,513              |
| Romania        | 10.5      | 2.2*        | 186                 | 8,239               |
| Slovakia       | 3.7       | 0.7         | 30                  | 218                 |
| Slovenia       | 2.2       | 0.5*        | 16*                 | 1,214               |
| Spain          | 83.8      | 20.0*       | 446                 | 30,000              |
| Sweden         | 19.2      | 4.4         | 56                  | 3,400               |
| United Kingdom | 87.6      | 23.7        | 370                 | 6,500               |

**Source:** Food Drink Europe, 2012, p.9

**Figure 11: Food and Beverage Industry Data as published by Food Drink Europe**

|                | Employment<br>ranking in<br>manufacturing <sup>2</sup> | Turnover<br>€billion | Value Added<br>€billion | Number of<br>employees<br>1,000 | Number of<br>companies |
|----------------|--|----------------------|-------------------------|---------------------------------|------------------------|
| Austria        | -  | 19.2                 | 4.8*                    | 63                              | 3,740                  |
| Belgium        | 1  | 47.5                 | 6.8                     | 89                              | 4,768                  |
| Bulgaria       | 2  | 4.7                  | 0.8*                    | 96*                             | 5,667                  |
| Cyprus         | 1  | 1.5*                 | 0.4*                    | 13*                             | 845                    |
| Czech Republic | 4  | 10.9                 | 2.4                     | 103                             | 9,207                  |
| Denmark        | 1  | 26.2                 | 3                       | 54                              | 1,600*                 |
| Estonia        | 2  | 1.6                  | 0.3*                    | 13                              | 456                    |
| Finland        | 3  | 11                   | 2.6                     | 33                              | 1,693                  |
| France         | 1  | 160.9                | 23.6                    | 495                             | 13,500                 |
| Germany        | 4  | 169.3                | 33.5                    | 555                             | 5,970                  |
| Greece         | -  | 11.2                 | 1.4*                    | 65                              | 1,180                  |
| Hungary        | 2  | 8.7                  | 1.9                     | 95                              | 4,971                  |
| Ireland        | 1  | 22*                  | 6.9*                    | 43*                             | 689*                   |
| Italy          | 3  | 130                  | 24                      | 386                             | 6,850                  |
| Latvia         | 1  | 1.6*                 | 0.3*                    | 25*                             | 838                    |
| Lithuania      | 1  | 3.6*                 | 0.6*                    | 42*                             | 1,327                  |
| Netherlands    | 1  | 66.6*                | 15                      | 133                             | 4,751                  |
| Poland         | 1  | 49.7*                | 9*                      | 396*                            | 14,330                 |
| Portugal       | 1  | 14.5                 | 2.9                     | 110                             | 10,500                 |
| Romania        | 1  | 10.7                 | 2.2                     | 184                             | 8,355                  |
| Slovakia       | 3  | 3.8                  | 0.7                     | 29                              | 210                    |
| Slovenia       | 5  | 2                    | 0.4                     | 13                              | 617                    |
| Spain          | 1  | 90.2                 | 26.8                    | 440                             | 29,196                 |
| Sweden         | 5  | 19.5                 | 4.6                     | 55                              | 3,600                  |
| United Kingdom | 1  | 114.1                | 29.7                    | 406                             | 7,766                  |

(1) Or by Eurostat  
(2) Ranking of the food and drink industry in the manufacturing sector in terms of employment  
\* 2011 data

However, Austria's most important trade partners are Germany and Italy, south-eastern Europe constitute considerable amount of potential for Austria as export markets as generally in the world exports to this region increased 8.4%, to 470 mn EUR, in six months. While Austria's meat and meat products are especially famous in that part of the world, there has been remarkable advancement sighted with milk and dairy goods. Export from Austria to the new EU member countries raised up 43% in proportion to nearly zero growth in imports (The Austrian Federal Economic Chamber & Austrian Trade, 2008, p.26).

With the opening of the Central and Eastern European countries (CEECs) in 1989, there have been accelerated increment and condensation in the Austria's trade and investment relations. Austria doubled its economic and trade cooperation with other countries - especially with Austria's neighboring countries such as Hungary, the Czech Republic, Slovenia and Slovakia- which lead Austria to attain a high level of surplus in its trade balance with these countries throughout the period 1990-1996. It has positive impact on its overall employment through this surplus with significant amount (Altzinger, 1997).

The global crisis also influenced Austrian economy as well as the other countries in the world, as a result it caused to sharp decline with approximately 20% in the first half of 2009 in the production volume of Austrian industry as a whole. However the sector had experienced with decline, it was one of the few industries that had ability to preserve itself from depreciation of global financial crisis and had better performance than the other sectors in Austria. The industry came out with the decline of 4.5%, which is primarily corresponded by decreasing commodity prices after the agricultural price boom in 2007/2008 (Advantage Austria, 2010, p.6). Therefore, food industry was influenced by the price pressure factors from food retailers and unstable price changes on agricultural raw material; as a consequence, in year 2010, the industry had faced a declination in turnover by 2.7percent in comparison with previous year (Advantage Austria, 2010, p.6).

The main market for Austria in food and beverage industry is the European Union. Approximately 70% of the Austrian export revenue (EUR 3.5 bn) was attained in the EU In 2012. In the first and second quarters of 2013, the increase in the amount of exports in Austria continued with the amount of: growth of +4.5% or EUR +203m against the first and second quarter of 2012 come up trumps in the face of the ongoing economic crisis and advices optimism for the half-year figures (FIAA,2013,p.2).

From table 2, it is seen that, in the Q1 of 2014, in the EU, food and beverage industry output (production) was positive with 0.83% change. When comparing Austria among these countries, it seems obvious that Austria moved from positive to a negative output growth path from 1.24 % to -5.54% in Q1 of 2014 (Food Drink Europe, 2014,p.2)

**Table 2: Food and Beverage Industry Production Index , Quarterly Growth**

| Member State   | 2013 Q4/2013 Q3<br>(% change) | 2014 Q1/2013 Q4<br>(% change) |
|----------------|-------------------------------|-------------------------------|
| EU28           | 0.38                          | 0.83                          |
| Austria        | 1.24                          | -5.54                         |
| Belgium        | -2.20                         | 1.04                          |
| Bulgaria       | 2.07                          | -0.91                         |
| Czech Republic | 1.11                          | 0.47                          |
| Denmark        | 0.82                          | -1.80                         |
| Estonia        | 2.98                          | 0.21                          |
| Finland        | -0.08                         | -2.29                         |
| France         | -0.40                         | 2.14                          |
| Germany        | 1.11                          | 0.03                          |
| Greece         | 2.49                          | 1.87                          |
| Hungary        | 1.18                          | 0.54                          |
| Ireland        | 2.88                          | 1.53                          |
| Italy          | 1.75                          | -0.65                         |
| Latvia         | 0.26                          | -0.34                         |
| Lithuania      | 0.35                          | 4.23                          |
| Poland         | 1.33                          | 0.21                          |
| Portugal       | -8.49                         | -7.55                         |
| Romania        | 3.16                          | -0.03                         |
| Spain          | 0.59                          | 2.10                          |
| Sweden         | 1.49                          | -6.21                         |
| United Kingdom | -1.56                         | 4.56                          |

**Source:** Eurostat, Short-Term Business Statistics, NACE Rev. 2 July 2014; Food Drink Europe, 2014b, p.2

For multinational companies, Austrian food and beverage industry is specified as highly competitive, small and saturated market. Due to existence of major big companies' dominance in the competition environment, high the degree of concentration within the food business industry, there are important barriers to enter the industry. On the other hand, the top three supermarket chains in Austria correspond to more than 80% of all sales (business to consumer, B2C). Therefore, distribution of food to consumers is controlled by the only a few organizations, which lets them paramount negotiation power, which has provoked irritations in the past and currently (Meixner & Leitner, 2009). When we take a look to investment inflow of multinational companies to Austria we see that 2010 was the worst year, as in table there indicates very sharp decrease. But in 2011, the industry recuperated itself and accrued a considerable amount of the foreign direct investment to this sector. But in 2012, there had been downtrend again when compared with the amount in 2011. (See table 3)

**Table 3: Investment inflow to country "Austria" in the sector "Food,beverages and tobacco"**

values in US\$ million

| #. | Pays/Territoire    | Foreign Direct Investment |        |        |        |        |       |        |        |
|----|--------------------|---------------------------|--------|--------|--------|--------|-------|--------|--------|
|    |                    | 2012                      |        | 2011   |        | 2010   |       | 2009   |        |
|    |                    | Inflow                    | Share  | Inflow | Share  | Inflow | Share | Inflow | Share  |
|    | Total              | 181.2                     |        | 247.6  |        | -67.6  |       | 36.2   |        |
|    | of which allocated | 181.2                     | 100.0% | 247.6  | 100.0% | -67.6  |       | 36.2   | 100.0% |
|    | Unspecified        |                           |        |        |        |        |       |        |        |
| 1. | European Union     | 173.5                     | 95.7%  | 55.6   | 22.5%  | -279.6 |       | 101.5  | 280.8% |
| 2. | Unspecified        | 7.7                       | 4.3%   | 192.0  | 77.5%  | 212.0  |       | -65.4  | 180.8% |

**Source:** International Trade Centre (ITC), 2014

The Austrian government gained more control over on the import of food products of specific countries in order to protect its economy and local companies. For example, Austria has stricter rules on food products that are produced in Japan or consigned from Japan (S.P.B Patel engineering Collage, 2012).

According to the data from Statistics Austria (2014a) imports of Food & Beverage Industry is in the year of 2011 is 8.332 million Euro, 2012 is 8.746 million Euro, in 2013 is 8.990 million Euro.

In a general manner the amount of imports has been decreasing every year. When taking into consideration on the results in 2011, it is seen that it was 182,3 billion US-\$, however it diminished to 172,6 in 2013. When the exports are examined, there transpired again a decrease where in 2011 was 169,5 decreased to 166,5 in 2013 (Statistics Austria, 2014b) (For detailed information see Appendix 1).

For many multinational companies, it is considered as free trade zones are located outside the Austrian customs territory and are established in Graz, Linz, Solbad Hall near Innsbruck, and Vienna-Freudenau, but there are no foreign trade areas in Austria. There the goods are produced in the area, during the production domestic and foreign origin materials are used. Then, these goods are transported into the customs region, duty is charged only on the foreign materials. The customs regions, exists only in

Vienna and Tyrol. In this customs territory, multinational companies are allowed to store their products without paying duty (S.P.B Patel engineering Collage,2012, p.101).

## **Regulations**

In general, the regulations on food and beverage industry will be arranged based on stricter norms in next five years. Distinctive regulation will be imposed on nutrition labeling, complete removal of dangerous goods, guarantees of traceability, and production hygiene practices. Many industry managers esteem that food and beverage safety is already extremely high and that the public doesn't exactly assess how good it already is. But some countries have lack of regulators' market sensitivity which makes a great deal. Nevertheless, execution is supposed to be even severe in the future. The pressure for change in enforcement arises from consumers that make great leverage with a company and government to deal with a food safety issue. Some executives desire to have more active government that monitors international business by supporting marketing exertion in foreign countries (Deloitte, 2012, p.7).

Regulations in food and beverage goods are also severe and conform to EU regulations and its own standard's. In the past, the regulations on the issues such as food, meat, and hygiene were handled by isolated regulations. Differently from the old bills, the Food Safety and Consumer Protection Law involve all types of food products during all steps consisting veterinary inspection, hygiene regulations, as well as monitoring. Austrian food regulations are admissible for products produced in Austria and imported foods. However, Austria is compelled to permit entrance of products admitted into other countries of the European Economic Area (EEA). Imports from third countries must conform to national legislation if no EU law exists (FAIRS Austria, 2013, p.4).

Some of Austrian regulations on various food and beverage products are listed below based on updated list according to the 2006 Food Safety and Consumer Protection Law (FAIRS Austria, 2013, p.5-6):

- "Ordinance on margarine products and mixed fat products (Fed Gaz 378/1993)
- Ordinance on deep frozen food (Fed Gaz 201/1994)
- Ordinance on the assessment of the maximum content on Eruca acid – Eruca acid ordinance (Fed Gaz 468/1994)
- Ordinance on various sugars – sugar ordinance (Fed Gaz II 472/2003)



- Ordinance on cocoa and chocolate products – chocolate ordinance (Fed Gaz II 628/2003)
- Ordinance on honey – honey ordinance (Fed Gaz II 40/2004)
- Ordinance on jams, jelly, marmalade, and chestnut cream – jam ordinance (Fed Gaz 367/2004)
- Ordinance on casein and caseinate for human consumption (Fed Gaz 548/1996)
- Ordinance on fruit juices and some other similar products – fruit juice ordinance (Fed Gaz II 83/2004)
- Ordinance on some particular kinds of concentrated milk and dry milk (Fed Gaz II 45/2004)
- Ordinance on coffee- and chicory extracts (Fed Gaz II 391/2000)
- Ordinance on food supplements – food supplements ordinance (Fed Gaz II 88/2004)
- Ordinance on the content of trans – fatty acids in food – trans-fat ordinance (Fed Gaz II 267/2009)" (FAIRS Austria, 2013, p.5-6).

## **Legislation**

Legislation on food in Austria mainly comply with EU regulation which implements to all production-, processing- and distribution-stages. Austrian food legislation includes “2006 Food Safety and Consumer Protection Law”, rules to this law, and the Austrian Food Codex (Codex Alimentarius Austriacus). The law is attributed on several EU regulations and directives such as EC 852/2004, EC 853/2004, EC 854/2004, EC 882/2004, EC 178/2002. Since the admission of the law, it has been updated through several revisions such as Fed Gaz I 151/2005, 136/2006, 24/2007, 112/2007, 121/2008, 52/2009 95/2010. This adjustment translocates much the former Austrian 1975 Food Law (Federal Gazette (Fed Gaz) 86/1975) and the 1982 Veterinary Inspection Law (Fed Gaz 522/1982). The goal of the law is to be attuned to Austrian law with new, on-going EU food regulations (FAIRS Austria, 2013, p.4).

In Austria, the Federal Ministry of Health ([www.bmg.gv.at](http://www.bmg.gv.at)) has the overall liability and authority for food safety and food safety legislation. The institute arranges and controls the activities of the food inspection authorities of all the Federal Provinces and of laboratories appointed for investigation and control of official samples (Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management, 2014).

In general, the main goal of Austrian food law is to preserve consumers' health and to support good nutrition to the population by diminishing health risks and putting strict laws into practice. In addition, economic interests are also taken into consideration. However; in case of challenging interests, protection of consumers and their rights as well as health standards has precedence. With regards to the food law, food products, which are designated to be dangerous to human health, counterfeit, or proclaimed in a wrong way, has possibility not be allowed for distribution. Health and nutrition pertained claims on the label are obliged to pursue the rules which are stated in EC 1924/2006. Disease related claims (i.e., cures a disease) and the use of unapproved food additives are not allowed (FAIRS Austria, 2013, p.4).

## **Standards**

The quality control of food and beverages are based on ÖNORM standards. Standard of Austria square with international and European standards and even under some special conditions Austria transcends beyond. Therefore, Austria's food safety standards are among the severest in the European Union, and the Federal Ministry of Agriculture, Forestry, Environment and Water Management face with serious drawbacks to preserve and favor an industry dominated by small, often family-owned, farms. But it is worldwide known that Austrian food products meet traditionally high demands (Advantage Austria, 2013; Bundeskanzleramt Österreich, 2013).

There are 450 ÖNORM standards which give guarantee more than excellent quality — for instance, for milk, cereals and meat in addition to tea, honey and spices. The plurality of those standards is generally used to determine which test method will be used with the analysis of components and ingredients as well as procuring evidence of product quality. The consumer is very important and expects subprime quality, so the standards are made based on this idea in order to reach customer satisfaction and meet the needs and wants of the consumers. The essential keystone with this standards relies upon food production in terms of clear hygiene specifications identified for manufacturing processes. On the path from production to consumer encounter, loss in quality is tried to be retain at a minimum level as far as possible with the promulgated standards. That is assured, inter alia, by international management standards with a specific focus on proper organization and perfect traceability (Advantage Austria, 2013).

## Import Procedures

The companies should follow these steps which are listed below in table 4;

**Table 4: Import procedure in Austria**

|   |
|---|
| 1. Customs matters are regulated by EU legislation – see EU-27 FAIRS Report.  |
| 2. Incoming goods go either to the customs storage (small) or to a freight forwarder's facility at transport or airports. Storing and removal from storage is carried out under the terminals supervision of a customs officer who compares the documents with the commodities. Later, the invoice for import duty is issued. Food inspectors at the port of entry storage do not routinely check packaged foods. However, the customs officer may take samples to double check for ingredients (sugar, milk powder, alcohol) responsible for correct assessment of customs duty. Fresh/frozen food goes into deep freeze/cold storage facilities which are checked by the customs office and an official veterinarian who checks documents at the time of placement into storage and removal. If direct imports of meat are made from third countries into the EU, the border veterinarian checks meat, collects the accompanying veterinary documents and issues new veterinary documents, the so called "Annex B". Meat can move freely within the EU with the new documents. Most U.S. products coming into Austria go through the Netherlands or Germany where the border clearance is made. Thus, on the way to Austria, no additional controls are carried out. Alcoholic beverages require an import license from the Finance Ministry. |
| 3. Veterinary and customs import documents must be in German. However, if a customs officer or border veterinarian can read another language, he can accept it. Veterinary certificates are usually bi-lingual. There is no appeal of decisions by the customs office or the veterinary service. If an importer objects to the quality of the product, the case can be brought to the arbitration center at the following address: International Arbitration Center<br><br>of the Austrian Federal Economic Chamber<br><br>Wiedner Hauptstr. 63; A-1045 Wien<br><br>Phone: +43 (5) 90900-0<br><br>Fax: + 43 (1) 502 06 216  |

**Source:** FAIRS Austria, 2013, p.15

In table 5, the companies can gather information about customs duties and taxes on imports. For detailed information see the table 5 below.

**Table 5: Customs Duties and Taxes on Imports**

|   |   |
|---|---|
| <b>Customs threshold (from which tariffs are required)</b>    | Customs duties are not charged if the total value of the goods does not exceed EUR 150 (excluding shipping charges and insurance). Neither duty nor VAT is payable if the total value of the goods does not exceed EUR 22 (excluding shipping charges and insurance). If the amount of duty plus VAT payable does not exceed EUR 10, it is waived.  |
| <b>Average Customs Duty (Excluding Agricultural Products)</b> | 4.2%  |
| <b>Products Having a Higher Customs Tariff</b>                | Relatively high tariffs apply to fruits and vegetables, processed products, cereals and rice, textile, alcohol sugar, tobacco, passenger cars, office machines and certain kinds of shoes and special motor vehicles.   |
| <b>Preferential Rates</b>                                     | The average EU tariff level for manufactured goods is relatively low at 3.5%.   |
| <b>Customs Classification</b>                                 | Austria uses a harmonized customs system.   |
| <b>Method of Calculation of Duties</b>                        | Since the first of January 1993, the European Union, of which Austria is part, has been a single market, without any customs barriers, which ensures free circulation of goods. On May, 1st of 2004, ten "candidate countries" became new members of the European Union: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, and Slovenia. Trade within the European Union is totally free from customs duties, provided that the merchandises' country of origin is one of the 25 European Union Member States. Nevertheless, when introducing merchandises into Austria, exporters shall fill in an <i>intrastat declaration</i> . |

|  |   |
|--|---|
|  | <p>When the country of origin of the merchandises which are exported to Austria is not part of the European Union, customs duties are calculated Ad valorem on the CIF value of the goods, in accordance with the Common Customs Tariff (CCT).</p> <p>The duties for non-European countries are relatively low, especially for manufactured goods (4.2% on average for the general rate), however textile, clothing items (high duties and quota system) and food-processing industry sectors (average duties of a 17.3% and numerous tariff quotas, PAC) still know protective measures.</p> <p>In order to get exhaustive regulations and customs tariffs rates regarding their products, exporters shall refer to the TARIC code and its database, which includes all applicable customs duties and all customs trade policy measures for all the goods.</p> <p>Moreover, many bilateral and multilateral agreements have been signed by the European Union, in order to define specific customs duties with the following countries:</p> <ul style="list-style-type: none"> <li>- Customs agreements with Australia, Canada, United States, Mexico and South Korea.</li> <li>- The EU-EFTA (European Free Trade Association) Agreement was signed in 1972 with Iceland, Liechtenstein, Norway and Switzerland.</li> <li>- Free trade agreements with Bulgaria and Romania that joined European Union in 2007.</li> <li>- Mediterranean Agreements, concerning: Turkey, Israel, Jordan, Morocco, Palestinian Authority, Tunisia, Egypt, Lebanon and Syria.</li> <li>- The ACP agreements, with 95% of the tariff lines with a 0% rate for developing countries in Africa, Caribbean Islands</li> </ul> |
|--|---|

|  |  |
|--|--|
|  | <p>and Pacific. The Cotonou Agreement, signed in the year 2000, defines the new EU-ACP partnership.</p> <p>- The Generalized System of Preferences (GSP): 54% of the tariff lines are at 0% for developing countries outside the ACP framework.</p> <p>To get an exhaustive list of the foreign trade agreements of the European Union, click Countries and regions - Trade - European Commission.</p> <p>To get further information on customs policies in the European Union, please check the exhaustive report by the European Commission.</p> |
| <b>Method of Payment of Customs Duties</b>     | For details visit Central Customs Office   |
| <b>Import Taxes (Excluding Consumer Taxes)</b> | None   |

**Source:** Export Entreprises SA (2014), Import Customs Procedures In Austria, Downloaded on December 13th, 2014 *from* <https://en.santandertrade.com/international-shipments/austria/customs-procedures>

## **6. RESEARCH DESIGN AND METHODOLOGY**

### **6.1. Motivation**

The thesis is written to fulfill the partial requirement of Master degree at International Business Administration and Business Administration, University of Vienna. The topic of the research focuses the market entry strategies of multinational companies which is absolutely related to our academic background.

The research on entry modes to global market has comprehensively captured the attention of academic and business environment, therefore for many years the researchers have been developing many theoretical frameworks that are contributing to the companies' global strategies. There is clear indication that the companies are considerably intended to pursue the international strategy. Due to the saturated domestic markets, competitive pressures, companies' intention for more profit and further growth, as well as tax benefits corporations have been becoming much more interested in expanding their operations worldwide.

This concept of internationalization is becoming more vital also because of the rapid change in global environment. At the same time, it is also getting more difficult to predict the consumers' behavior and their willingness to accept the products and services of global companies. Hence, it is important to know how multinational companies are operating beyond national boundaries in different market environment.

There is not any existing work, which actually focused on market entry strategies of MNCs in food and beverage sector in Austria. That's why, the focal point of this thesis is to analyze the market entry strategies of Multinational Companies (MNCs) in Austrian food and beverage industry.

### **6.2. Objectives of the research**

The main objective of this thesis is to analyze the market entry strategies of MNCs in food and beverage sector in Austria. The research explored the motives of the companies to internationalize, internal and external factors affecting their entry mode decision. The difficulties faced by the organizations while selecting target market and

determining market entry decision are also examined. In addition to these, this thesis identified the key elements that need to be considered for the successful development.

### **6.3. Research Questions**

The study aimed to answer the following research questions based on the conceptual framework that has been used:

1. What are the different market entry strategies pursued by MNCs in food and beverage sector in Austria and what has been the result of following these strategies?
2. What are the problems MNCs facing while determining entry mode strategies?
3. What factors influence the choice of entry mode?
4. What are the motives of MNCs entering into Austrian food and beverage industry?
5. What is the most appropriate market entry strategy for MNCs with regard to food and beverage industry in Austria?

### **6.4. Research Approach: Qualitative and Quantitative Research**

The design of the study is both *Qualitative* and *Quantitative*. The reason for using qualitative method is to get the details, notions and different perspectives about the strategies that are followed by MNCs in foreign markets. Hence, these helped us to convey a richness and intensity of information in a way that quantitative research cannot. In order to measure, analyze data, summarize, compare and generalize our result, quantitative method has also been used.

### **6.5. Data Collection Method**

In this study, both primary and secondary data are used as a data collection method.

Primary data are collected directly from questionnaire, and is based on the interview of the personnel of the company. The study is carried through in-depth interviews (face-to-face) as well as through online survey. There are very few headquarters and subsidiaries



of multinational companies located in Austria /Vienna. For the convenience of the research and to increase the sample size an online questionnaire has also been created. Both interview techniques were intended to probe respondents' opinion and bring out information about their strategies of entering into Austrian market.

Secondary data is obtained from a large number of academic journals, industry journals, books, e-books, country reports, previous dissertation/thesis, websites and database.

## **6.6. Measurement**

The questions used in interviews were open-ended as well as closed-ended (five-point-likert scale) and experts were given assurance on confidentiality of responses. The questionnaire was divided into four important parts. 'Part 1: Demographics' was designed to get the information about the company. 'Part 2: Market Entry Decision' is designed to gather the information about the company's general market entry strategies and also the strategies that they have pursued for Austrian market. In order to get in depth information from the respondents, most of the questions in this part were open-ended. Only one question in this part is designed as closed-ended (five-point Likert scale) to know the company's expectation from the business in Austria (1=exceeded, 5=will not meet at all). 'Part 3: Factors Influencing the Choice of Market Entry Decision' was designed to know the importance of each factor that actually influenced the companies to enter into a new market as well as in Austrian market. For the convenience of gathering exact information, five-point Likert scale (1=very important and 5=not important) has been used in this part, where the respondents were asked to express how important are the factors for the company while making a decision on market entry. At the same time an open-ended question is also asked to know the reasons behind their answers. The last part (part 4) was about internationalization motives where the respondents were asked to evaluate the importance of internationalization motives that drive the company to enter into a new market. The structure of the questionnaire is same as part 3; five-point Likert scale has been used for two questions (1=very important and 5=not important) and an open-ended question has been put to know the reasons behind their answers.

## 6.7. Sample Selection

As this research is based on the judgments of the respondents, non-probability sampling technique has been used. In order to get more accurate results initial respondents were selected based on the judgmental (purposive) sampling method. Due to the limited number of participants in sampling frame, snowball-sampling method is also used in order to increase the number of participants in the research.

On account of inadequacy of respondents who are expertise in the area being researched, this study focused on particular group of multinational company in food and beverage industry.

There were altogether 237 companies in the sampling frame and they were divided into three parts:

- Companies outside Vienna but existing in Austria (13 companies)
- Companies in Vienna (12 companies)
- Companies abroad (212 companies)

| Response Type | Number | Percentage |
|---------------|--------|------------|
| Non-Response  | 212    | 89,45%     |
| Refusal       | 13     | 5,48%      |
| Response      | 12     | 5,06%      |

| Response Type    | Number | Percentage |
|------------------|--------|------------|
| Response (Total) | 12     | 5,06%      |
| Screen Out       | 5      | 2,00%      |
| Actual Response  | 7      | 3,06%      |

From initial sample size, 20% response rate was expected to reach. To get the anticipated result and increase the response rate, all the potential respondents have been contacted personally, via email and telephone. Out of 237 companies 212 companies did not respond, so the non-response rate is 89.45% which is a shortcoming for the research.

Out of 237 companies, 13 (5.48%) refused to participate in the survey due to the company policy and scarcity of time.

So, in final sample, the response rate is 5%, which means 12 respondents have participated in the survey. But 5 of them did not complete the questionnaire, so they were screened out from the sample. Therefore, only 7 respondents have been taken into consideration as final sample size, hence the actual response rate is only 3%.

The Company names are gathered from following databases;

1. Billa, DM, Merkur, Penny, Spar, Hofer, Zielpunkt
2. Trend Top 500 Die erfolgreichsten Unternehmen Österreichs.
3. Chamber of Commerce of Vienna (WKO)
4. Patent Institute of Vienna (Patentamt)
5. TMview – a special European Cooperation for trademarks and designs
6. The World Intellectual Property Organization (WIPO)
7. Top 100 Food and Beverage Companies - Food Processing List
8. Top 10 Beverages Companies in the World 2013 List

## 7. RESEARCH FINDINGS

This part represents the findings of the questionnaires. First, the demographic information of all the companies participated in the survey has been described. Then, market entry strategies of the companies have been examined. Afterwards, the factors that affect the companies' market entry decision have been figured out. Finally, the internationalization motives of the companies' have been described in details.

### 7.1. Demographics

This section comprises basic demographic information of the companies examined in the research including: title of the position of the respondents, name of the company (for the confidentiality the real name of the company has not been used in the study), year of establishment, firm size (number of employees, revenue last year, market share in Austria). Also, the products of the companies, number of brands owned, the regions the company exists around the world, and the period since when the company is operation in Austrian market.

The actual sample size of this research is seven. Out of seven respondents, the position of three respondents are export manager, one of them is the CEO, one is working in the export department, one of the respondents is the shareholder and manager, and the last respondent is a country manager in Austria.

**Table 6: Region of Operation**

| Company Name | Region |      |        |           |           |           |
|--------------|--------|------|--------|-----------|-----------|-----------|
|              | Europe | Asia | Africa | S.America | N.America | Australia |
| Company A    | Yes    | Yes  | No     | No        | Yes       | Yes       |
| Company B    | Yes    | Yes  | Yes    | Yes       | Yes       | Yes       |
| Company C    | Yes    | Yes  | Yes    | Yes       | Yes       | Yes       |
| Company D    | Yes    | Yes  | Yes    | No        | Yes       | No        |
| Company E    | Yes    | Yes  | Yes    | No        | Yes       | No        |
| Company F    | Yes    | Yes  | Yes    | No        | Yes       | No        |
| Company G    | Yes    | Yes  | Yes    | No        | No        | No        |

From table 6, it is seen that, all the companies are existing in Europe and Asia. All the companies except Company A are present in Africa as well, on contrary, apart from Company G; all the companies are operating in North America. Only Company B and C

are existing in South America. Most of the companies (Company D, E, F, and G) are not carrying on their business in Australia.

Among seven companies, five are producing food products, one of the company is operating only in beverage industry, and one is existing in both food and beverage industry.

**Table 7: Type of Products and Number of Brands**

| Company Name | Type of Products                    | Number of Brands |
|--------------|-------------------------------------|------------------|
| Company A    | Bakery products                     | 2                |
| Company B    | Tomato preserved products           | 2                |
| Company C    | Olive oil                           | 1                |
| Company D    | Fish products                       | 2                |
| Company E    | Spirits                             | 30               |
| Company F    | Ethnic foods, non-ethnic foods, Tea | 12               |
| Company G    | Table olives                        | 3                |

Though, all the companies are operating in the same industry but they produce very different type of products. Company A produces/sells bakery product, where the Company B manufactures/distributes tomato preserved products. Additionally, Company C produces/sells olive oil where Company D is focusing on fish products. Company E is active in beverage industry and manufacturing spirits. Company F, on the other hand produces/distributes ethnic and non-ethnic food along with tea. Finally, Company G is actually producing/selling table green and black olives.

**Table 8: Year of Establishment**

| Company Name | Year of Establishment |
|--------------|-----------------------|
| Company A    | 1814                  |
| Company B    | 1899                  |
| Company C    | 1920                  |
| Company D    | 1949                  |
| Company E    | 1978                  |
| Company F    | 1985                  |
| Company G    | 1988                  |

From the table 8, it is obvious that the years of establishment of the companies are very diverse. Many of them have been operating for a longer period of time. All of the

companies have been established between 19<sup>th</sup> and 20<sup>th</sup> century. However, these companies have been operating for a very long period of time but their entrance in Austrian market is not that early. For example, it is observable from the table 5.3 that Company A is 200 years old but existing in Austrian market for 50 years. On the other hand even though the Company B is 116 year-old firm but entered in Austria only 40 years ago. Similarly, Company C is operating in Austrian market for 15 years where it was founded in 1920. Likewise, Company D is 65 year-old enterprise but entered into Austrian food and beverage industry in 2004. Company E is operating in Austrian market for six years where it has been in service for 37 years in its home country. And this company is the newest company in the sample size which is operating in Austria for less than 10 years. Company F is the only company which was founded in 1985 in its home country solely to operate in Austria, so the entrance and the establishment year are the same. Even though they wanted to enter only in Austria but over the years they have expanded their business around the world. At last, Company G is the newest among all the firms in the sample size, and this one has been existing in Austrian market since 10 years.

**Table 9: Country of Origin**

| <b>Company Name</b> | <b>Country of Origin</b> |
|---------------------|--------------------------|
| Company A           | Germany                  |
| Company B           | Italy                    |
| Company C           | Italy                    |
| Company D           | Italy                    |
| Company E           | Germany                  |
| Company F           | Turkey                   |
| Company G           | Spain                    |

From the table 9, it is clear that the origin of three companies is Italy. Two of them are Germany, one is Turkey, and one is Spain. It is assumed that, this might be the result of huge demand for the Italian product which motivates the Italian companies to enter into Austrian market and grab the consumers.

**Table 10: Number of Employees**

| Company Name | Number of Employees |
|--------------|---------------------|
| Company A    | 2500                |
| Company B    | 120                 |
| Company C    | 120                 |
| Company D    | 3000                |
| Company E    | 1800                |
| Company F    | 100                 |
| Company G    | 93                  |

Among seven companies three companies (Company A, D, and E) are Large-Scale-Enterprises (LSEs) which have more than 250 employees. The remaining companies (Company B, C, F, and G) are Medium-Sized-Enterprises (MSEs) where they have more than 50 but fewer than 250 employees.

**Table 11: Revenue (2013)**

| Company Name | Revenue (2013)  |
|--------------|-----------------|
| Company A    | -               |
| Company B    | 200 Million EUR |
| Company C    | 130 Million EUR |
| Company D    | 9 Million EUR   |
| Company E    | 1.5 Billion EUR |
| Company F    | 20 Million EUR  |
| Company G    | -               |

Among seven companies, Company E has the highest revenue in 2013, followed by Company B, C, F, and D. Company A and G did not give any information about the revenue.

**Table 12: Market Share**

| <b>Company Name</b> | <b>Market Share in Austria</b> |
|---------------------|--------------------------------|
| Company A           | 8%                             |
| Company B           | 14.8%                          |
| Company C           | 5%                             |
| Company D           | 33.3%                          |
| Company E           | 1%                             |
| Company F           | 25%                            |
| Company G           | 3%                             |

The above mentioned table indicates that, even though companies A and B have been operating in Austrian Food and Beverage industry for more than 40 years but their market share is lower than Company D and F. So the performance of Company D and F is far better than the others.

It has been observed that, even though Company E has the highest amount of revenue but has the lowest market share in Austria. On the other hand, Company D has the highest market share in Austria where it has the lowest amount of revenue among all the companies.

## **7.2. Market Entry Decision**

This section focuses on the respondent's decision and opinion over the market entry modes of their respective companies, their strategies for entering into Austrian market, the motives behind this decision, the current situation of the business in Austria, the difficulties faced by the companies while entering into Austrian market and also the difficulties they are facing till now, and lastly, their expectation from the business.

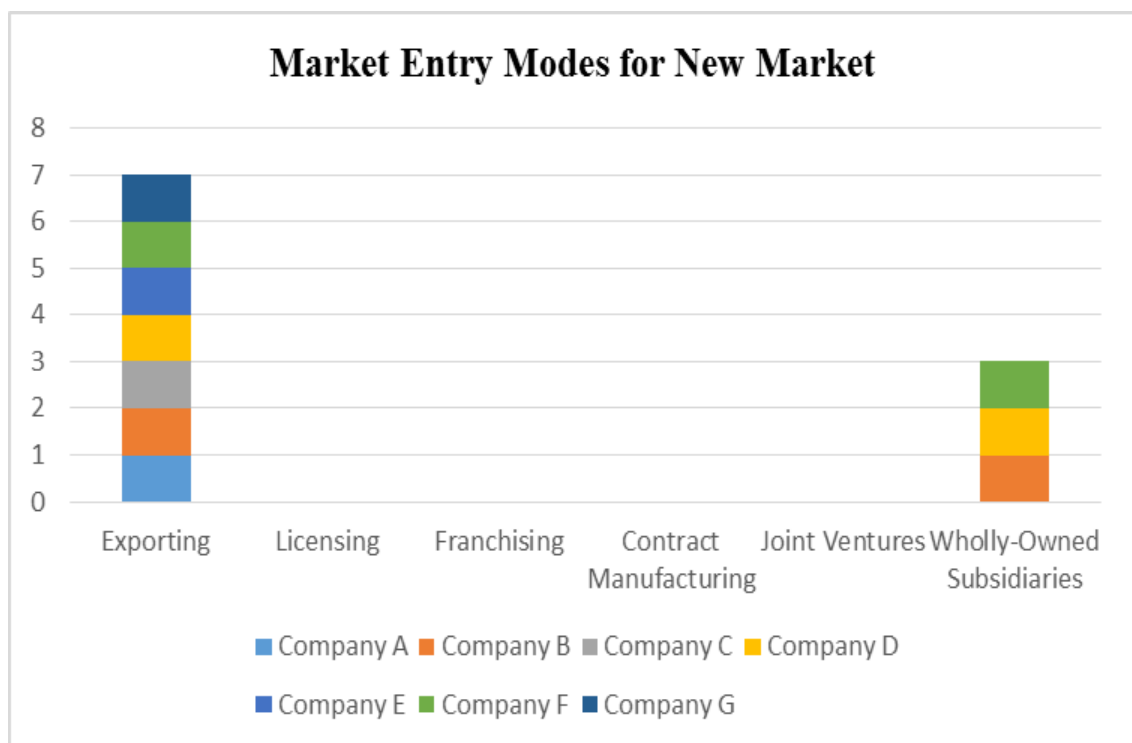
### **7.2.1. Choice of Entry Mode**

The respondents were asked about general market entry decision for entering into a new market as well as for entering into Austrian market. The reason for asking two separate questions for this part is to find out whether there are differences/similarities of the companies' choice of entry mode between Austria and other countries. In this research, as market entry modes exporting, licensing, franchising, contract manufacturing, joint ventures, and wholly-owned subsidiaries have been used.



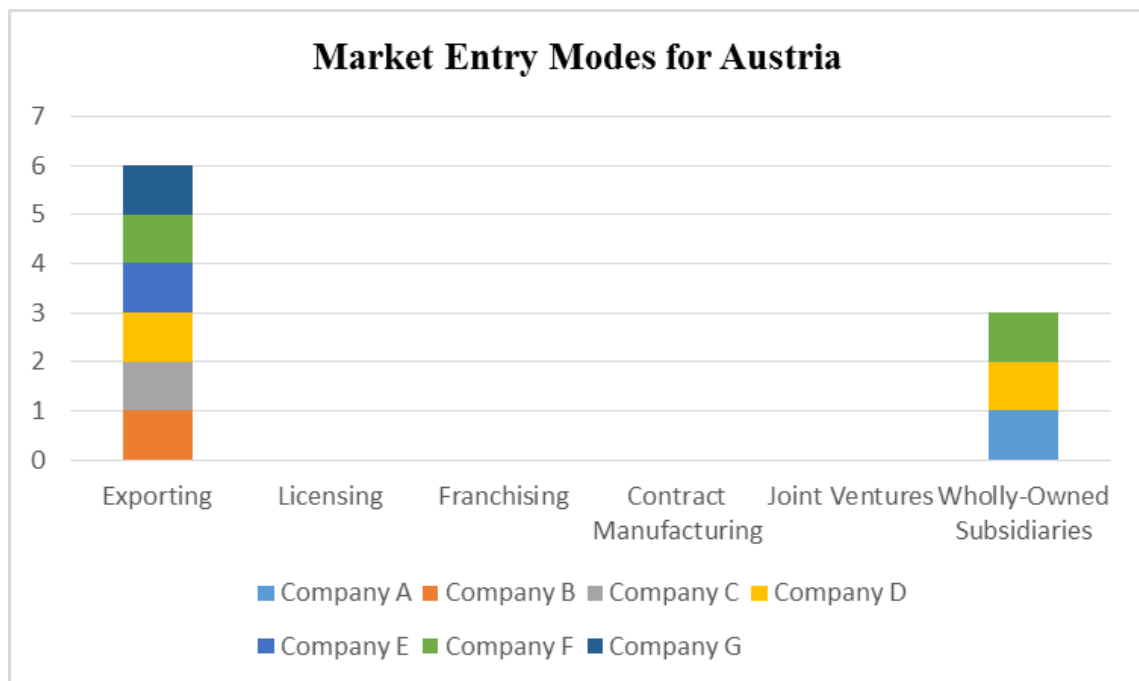
All the companies in the sample have been using exporting as a market entry strategy while entering into a new market. Additionally, Company B, D, and F have been using wholly-owned subsidiaries along with exporting. After face-to-face interview with company D and F it has been found out that the companies usually start the business in new countries via distributors. With this strategy, they are evaluating competition intensity, market structure, and potentiality of the market environment. When the market is lucrative enough, they change their existing strategy into wholly-owned subsidiaries and establish their own business with their individual branch.

**Figure 12: Market Entry Modes for New Market**



While entering into Austria, all the companies except Company A have been using exporting. Company A have been using only wholly-owned subsidiaries for food and beverage industry in Austria. However, Company D, and F have been using both modes for this industry the same way as they are using for another countries.

**Figure 13: Market Entry Modes for Austria**



### 7.2.2. Main Motives for Entering Austria

According to the respondents, there are various reasons for entering into Austrian food and beverage industry. It has already been mentioned that most of the companies have been using exporting as the major entry mode for Austrian market. But, the motives for entering into this market are very different from the perspective of each company. The summaries of respondents' viewpoint are following:

|                  |  |
|------------------|--|
| <b>Company A</b> | Difference between German and Austrian market  |
| <b>Company B</b> | Low geographic distance from Italy, very concentrated market   |
| <b>Company C</b> | Brand management, cost saving, direct contact with retailers, centralized control of budget and better accuracy of marketing mix |
| <b>Company D</b> | Control over the business  |
| <b>Company E</b> | German language, strong retail   |
| <b>Company F</b> | No Turkish company   |
| <b>Company G</b> | Important point of business in Europe  |

According to Company A, there is a huge difference between the market structure of Austria and Germany, that's why it pursued wholly-owned subsidiaries as an entry mode for Austrian market. However, this is not accurate information about the motives, it is assumed that the respondent misunderstood the question as the information the respondent provided is still important for the research to know the reason behind using wholly-owned subsidiaries as market entry mode for Austria.

Company B stated that low geographic distance between Austria and Italy drove it to take this decision. The company also considers that the Austrian market is very concentrated and dominated by three main supermarket chains. So, it is easier to control exporting activities directly from Italy. At the same time, they are also connected to local agencies to have better control over commercial activities.

As stated by Company C, the main motives for entering into Austrian food and beverage industry are brand management, cost saving, direct contact with retailers, centralized control of budget and better accuracy of marketing mix.

In the response of Company D, there occurred unconscious misinterpretations bias same as Company A. The respondent consciously tried to be truthful and cooperative, but still arose a response bias. The comment of the respondent about this question represented the reason for using exporting and wholly-owned subsidiaries as market entry modes rather than motives for entering into Austria. The company does not want to give license to other compaies because they do not want any company to manipulate it's products. They use the distributors and allow them only to sell their products. The focal reason to analyze the potential of the country, before establishing their own branch in host country. In order not to loose the control over foreign operations, the company does not use market entry modes such as franchising, licensing. Their corporate policy is very strict, so the company only uses either exporting or wholly-owned subsidiaries and both when entering into new markets.

Among all the companies, only Company E's response is relatively short and not adequate enough to answer the question of motives behind of choice of entry mode for Austria. The respondent denoted that the usage of same language (German) in Austria and the strong retail lead the company to enter Austrian market.

The respondent of Company F's didn't indicate the real reason about the major motives due to not working in the company before. The respondent added at the end that the

absence of Turkish companies which sells ethnic foods in Austria is the reason for entering.

According to Company G, Austria is an important business point in Europe with a supermarket chain like REWE. That's why it was easier for them to enter into the industry.

### **7.2.3. Current situation in Austria**

The respondents were asked to state the current situation of their business in Austria. In general, all the companies except Company E are growing, and gaining market share.

The only thing that Company A remarked in this part is having continuous increment with the market share during last four years.

Company B is doing a stable business in the industry and they are constantly trying to differentiate their offers.

According to Company C, their business in Austria is consistent and growing. Their market share and penetration is also increasing. As a consequence, the company is successfully able to enlarge their product line and increase brand awareness.

The business of company D in Austria is growing enormously. The company is producing canned fish products and fish market in Austria is exploding constantly. The market grew by nearly 50% and the company was able to double the business in last three years. They are spending lot of money for the advertisement as well that is also helping them to create brand awareness among the consumers and grow the business.

But, on the other hand, the business of Company E is getting weaker in Austria.

According to Company F, in 1980, 1990 and in the beginning of the 2000 the market was profitable but the market is getting more competitive as there are many Turkish wholesalers in Austria. It is still profitable but not profitable as same as previous years due to the increasing costs of labor and manufacturing.

The business of Company G is mature in Austria.

#### **7.2.4. Difficulties while Entering into Austria**

In this part of the questionnaire, the companies were asked to explain the difficulties that they have faced during their entrance into Austrian market as the objectives of the research is to find out the major challenges of entering into Austrian food and beverage industry and guide the further potential multinational companies with the findings.

When we take a glance to Company A, the company had not encountered any troubles. Being long-established firm, existence in numerous foreign markets and having significant actual skills in international business operations due to their experience might be the reason of not having problems by the time entering into Austrian food and beverage industry.

High degree of competition, existence of many competitors and high level of market concentration are the major difficulties that Company B confronted.

Likewise, Company B, Company C stated the similar factors that generated difficulties for the company. Therefore, according to Company C, there has been tough competition in Austrian food and beverage industry. In addition, the respondent pointed out that Austria's food and beverage market structure is saturated and the company came across with difficulties during negotiations. Finally, the respondent emphasized that the market involves many powerful retailers that makes the market itself really concentrated.

Company D also had similar difficulties like Company B and C. The major problem for Company D was to enter the market due to the dominance of large powerful player. The other difficulty was to change of consumer preferences in their field. In addition to these, the penetration price strategies of other competitors generated difficulties.

Company E indicated that the main difficulties were existence of local manufactures in multi domestic market environment and price sensibility of the market structure.

Company F mainly had faced difficulties during the transportation of goods from home country to host country owing to having high geographical the distance between Turkey-Austria, and strict controls in country borders, and consequently there occurred delay with the delivery of the goods. Apart from this problem, the company had faced with very severe trade barriers on some of the products such as meat products. The final problem was to maintain the standards of food products.

Company G stated that the main difficulties were the high requirements in quality, high-price market structure. Another challenge that the company faces is the logistic service.

### 7.2.5. Difficulties Faced at Present

It is also important to know the problems that the companies are facing right now while operating in Austria. The difficulties have been summarized in the following:

|           |  |
|-----------|--|
| Company A | Very high competition  |
| Company B | Presence of competitors and difficulty to expand the range and business in one of the two main players due to many product lines |
| Company C | To increase positive word of mouth, new listing, and new product categories  |
| Company D | To maintain the sustainability   |
| Company E | Nationalism and listing fees   |
| Company F | Trade law and high rate of taxation  |
| Company G | Restrictive requirements in food and in quality  |

According to Company A, it is becoming very difficult to gain the market share, as recently there is huge competition in food and beverage industry in Austria.

Company B also stated the same thing about competition; additionally, the respondent has mentioned that they are facing the difficulties to expand their product range and business in one of the two main players (supermarkets) due to the presence of many product lines.

Increasing positive word of mouth, new listing and new food categories are the main problems that Company C is confronting in the industry at this moment.

Maintaining the sustainability is the biggest problematic issue for Company D. Otherwise, the company is doing well. The company believes that there is still potentiality in the market because of the USP (Unique Selling Proposition) they have.

According to Company E, listing fees and the nationalism of Austrian consumers are the main barriers in this industry.

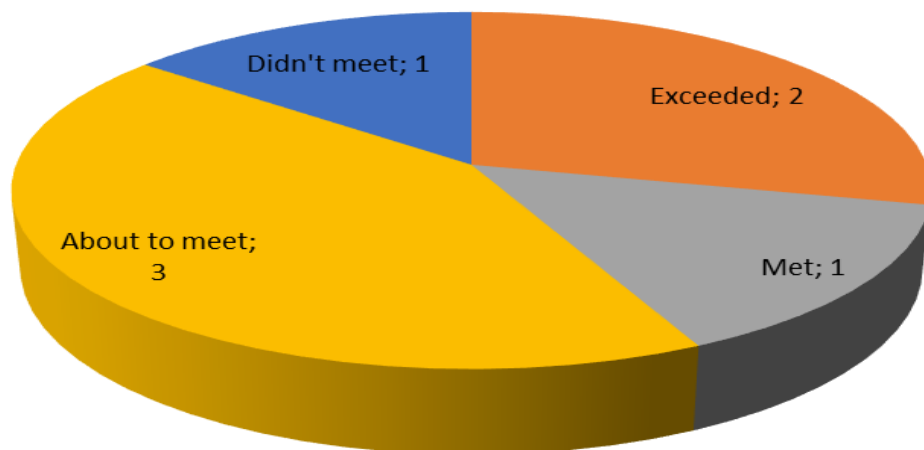
Company F stated that due to the Austrian government's new law and regulations and the high taxation rate, the production costs are increasing than before.

Lastly, Company G pointed out the same issue as Company F mentioned. On the other hand the respondent denoted that due to the restrictive requirements in food and in quality, it is getting very difficult to run the business at this moment.

#### **7.2.6. Expectation from the Business**

The respondents were also asked about their expectation from the business in Austria. The question was asked in five-point Likert scale (1=exceeded, 5=will not meet at all). As it is seen from figure 14 that there is no general hint about this issue, as many of companies have different points of view about their expectation.

**Figure 14: Expectation from the Business**



Company D and G have mentioned that their expectation has exceeded from the business. They are very successful and quite satisfied with their operations in Austria. The reason behind the success of Company D is their corporate strategies, where Company G indicated that their existence in the market for a long period of time is one of the reasons for their success.

Three companies (Company A, B, and C) pointed out that their expectation from the business in Austria is about to meet. According to Company A, it is not easy task to capture the market share in Austria, that's why their expectation has not met yet but

they are very close to fulfill their expectation. Company B expects to progress in the next years in the supermarket chain where their presence is weaker. On the other hand, Company C has very positive attitude towards the business in Austria because their yearly target are accomplished, there are some positive negotiations going on, and their brand value is also increasing day by day.

For Company F, the expectation has already been met even though recently the market is not that profitable. But still the company is doing well and making profit as it is the market leader in ethnic foods and Tea in Austria.

But according to Company E, the result from the business is not up to mark and the respondent indicated that due to the low budget for distribution and their lack of ability to compete with the local manufacturers, so the expectation that they have from the business have not met yet.

### **7.3. Factors Influencing the Market Entry Decision**

All the factors that can influence an organization to make a decision while entering into new market have been considered. The factors are as follows; market size, international experience, product/service, socio-cultural distance between home country and host country, country risk/demand uncertainty, market size and growth, direct and indirect trade barriers, intensity of competition, and small number of relevant export intermediaries in host country. In the first part, the influence of all the factors on market entry decision has been described in general point of view, where at the second part, this influence has been summarized from the perspective of Austria. The five-point Likert scale (1= very important, 5= Not important) has been used for two questions along with an open-ended question. The aim to create such kind of question type is to see whether the companies use the same strategy for Austria as they do for other foreign countries.



### **7.3.1. Factors Influencing the Market Entry Decision in General**

When taking into consideration table 13, it is definite that for most of the companies, firm size is very important factor. Out of seven respondents, four of them (Company A, E, F, and G) assigned the option of “very important”, one of them (Company C) answered as “important” and the last two (Company B and D) indicated their choice as “neutral”. On the other hand, respondent of Company F emphasized the importance of the firm size. According to the respondent, when the company is bigger, there is higher probability to attain the better price offer and the performance and the strength of the company is interrelated with the firm size.

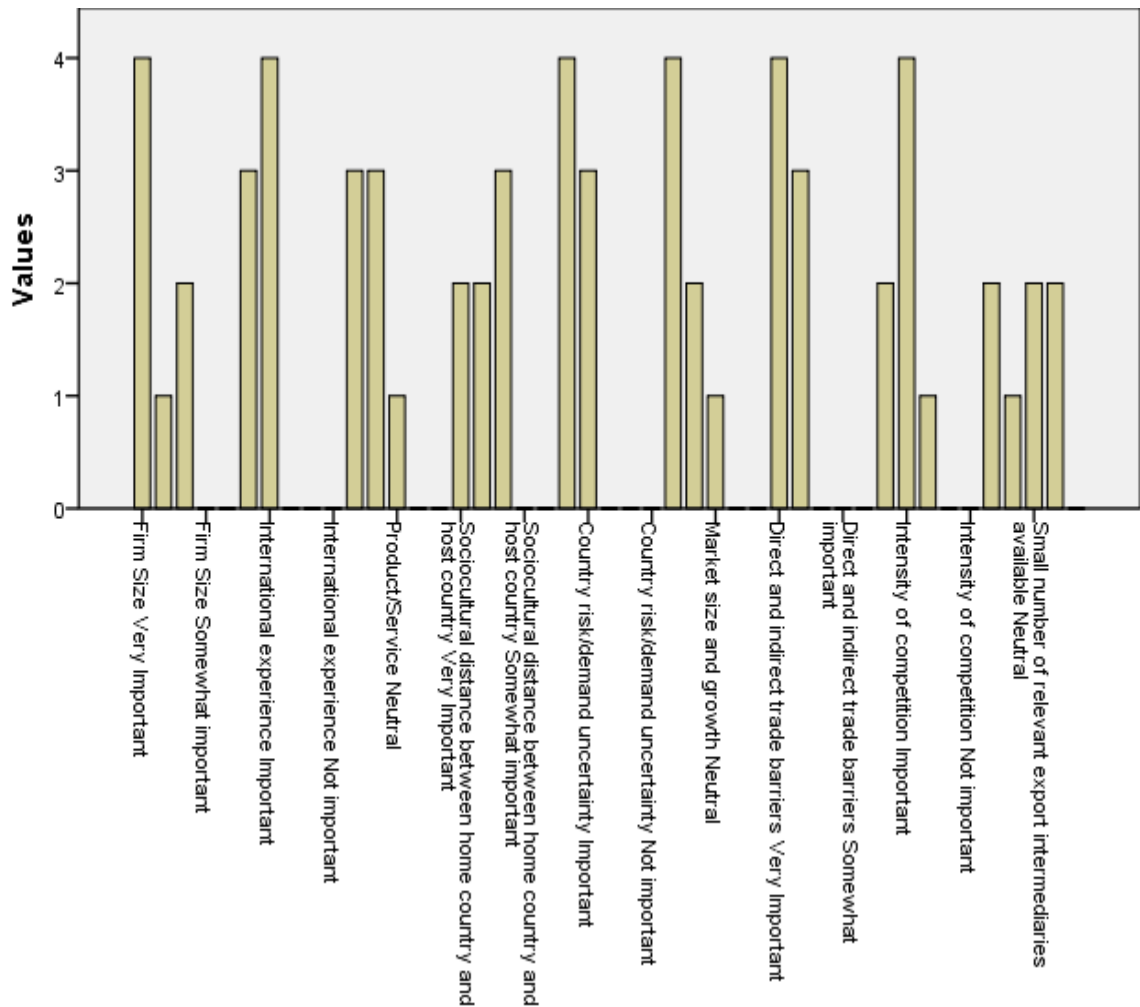
Likewise firm size, there are three companies (Company C, E and G) expressed that international experience of firms are “very important” for them while taking a rational decision for market entry mode. This factor is “important” for the remaining four companies (Company A, B, D and F).

In business, another pivotal influence for entry mode choice is product/service for enterprises as well as for the companies that are in the sampling frame. Product/ service is “very important” determinant for the same three companies (Company C, E and G) and “important” for the remaining four companies (Company A, B, and D), but for Company F it is “neutral”, neither important nor unimportant.

The results in the factor “socio-cultural distance between home country and host country” centered upon the respond “neutral”, as majority of the companies selected that choice. Out of seven, three of the companies (Company C, D and G) specified their answer as a “neutral”, two of them (Company B and F) designated as “important” and the remaining two (Company A and E) responded as “very important”.

From the results of “country risk/ demand uncertainty” option, it is obvious that country risk/ demand uncertainty is prevailing factor for number of the companies. Four of the companies (Company A, B, D and F) implied that this determinant is “very important” for their companies, the rest of the respondents (Company C, E and G) indicated as “important”. Addition to these results, the respondent of Company D indicated that it has been entering into new markets every year. As the company does not favor to take risk, the preference of the company has mainly been in such countries that have lower country risk/demand uncertainty such as Russia and the similar countries, which have consistent economy, lower political risk and stable inflation rate

**Figure 15: Factors influencing the market entry decision in general**



The importance of market size and growth is also in the same manner with the previous factor. Out of seven companies, four of them (Company A, D, E and F) pointed out this issue as “very important”, two of them (Company B and C) opted for the option of “important” and “neutral” for the last one (Company G). Hence, this factor is the most important factor for Company D among all of these factors.

**Table 13: Importance of factors influencing the market entry decision in general**

|   |                    |   |
|---|--------------------|---|
| <b>Firm Size</b>  | Very Important     | 4 |
|   | Important          | 1 |
|   | Neutral            | 2 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>International experience</b>                                     | Very Important     | 3 |
|   | Important          | 4 |
|   | Neutral            | 0 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>Product/Service</b>  | Very Important     | 3 |
|   | Important          | 3 |
|   | Neutral            | 1 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>Sociocultural distance between home country and host country</b> | Very Important     | 2 |
|   | Important          | 2 |
|   | Neutral            | 3 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>Country risk/demand uncertainty</b>                              | Very Important     | 4 |
|   | Important          | 3 |
|   | Neutral            | 0 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>Market size and growth</b>                                       | Very Important     | 4 |
|   | Important          | 2 |
|   | Neutral            | 1 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>Direct and indirect trade barriers</b>                           | Very Important     | 4 |
|   | Important          | 3 |
|   | Neutral            | 0 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>Intensity of competition</b>                                     | Very Important     | 2 |
|   | Important          | 4 |
|   | Neutral            | 1 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>Small number of relevant export intermediaries available</b>     | Very Important     | 2 |
|   | Important          | 1 |
|   | Neutral            | 2 |
|   | Somewhat important | 2 |
|   | Not important      | 0 |

For majority of companies' in the sampling frame, indirect and direct trade barriers are “very important” factor for deciding market entry strategy, as four companies (Company A, B, C and F) had the same response. The other three companies (Company D, E and G) pointed out this factor as “important”.

According to the results, only two companies (Company C and F) indicated that intensity of competition is “very important” factor for them while deciding on market entry strategies, four of them (Company A, B, D and G) expressed their ideas as “important” in this case and one of them (Company E) designated as “neutral” for this factor.

Among all factors, the only factor that has less important effect and scattered results is “small number of relevant export intermediaries available”. Out of seven companies, two companies (Company A and D) specified this factor as “very important”, one company (Company G) referred as “important”, two of them (Company E and F) expressed as “neutral” and the last two companies (Company B and D) designated as “somewhat important”. In addition to these findings, the respondent of Company F explained the reason of the response. Owing to the respondent of Company F, if the product of company is good, it is not much important that there are another small number of relevant export intermediaries available.

**Table 14: Summary of factors influencing the market entry decision in General**

| Statistics |         |           |                          |                 |  |                                 |                        |                                    |                          |  |
|------------|---------|-----------|--------------------------|-----------------|--|---------------------------------|------------------------|------------------------------------|--------------------------|--|
|            |         | Firm Size | International experience | Product/Service | Sociocultural distance between home country and host country | Country risk/demand uncertainty | Market size and growth | Direct and indirect trade barriers | Intensity of competition | Small number of relevant export intermediaries available |
| N          | Valid   | 7         | 7                        | 7               | 7  | 7                               | 7                      | 7                                  | 7                        | 7  |
|            | Missing | 0         | 0                        | 0               | 0  | 0                               | 0                      | 0                                  | 0                        | 0  |
| Mean       |         | 1,71      | 1,57                     | 1,71            | 2,14   | 1,43                            | 1,57                   | 1,43                               | 1,86                     | 2,57   |

The table 14 summarizes the most and least important factors that influence on the choice of market entry mode. From the above mentioned table, it is clear that a country risk/demand uncertainty (mean value 1.43) and direct and indirect trade barriers (mean value 1.43) are equally important factors that have impact on the choice of market entry. Along with these two factors, market size and growth (mean value 1.57) is also important factor to consider. It is important for the companies to know whether the

market is large and the growth rate of the market is high enough for the investment. For the companies, small number of relevant export intermediaries available in host country (mean value 2.57) is the least important factor that influences them while deciding an entry mode for a specific country.

### **7.3.2. Factors Influencing the Market Entry Decision for Austria**

Afterwards, the respondents were asked to indicate the importance of all the factors that influenced them while entering into Austrian food and beverage industry.

Among all the factors firm size was “very important” for three companies (Company C, E, and G), it was only “important” for one company (Company A). Two of the respondents (Company B and D) indicated that this factor was neither important nor unimportant (“neutral”), and one mentioned it was “not important” at all (Company F). According to Company F, the firm size was not important because of the market situation and market size, during the entrance period, there was no other Turkish company in this industry.

International experience was also “very important” for three firms (Company C, E, and G), where it was “important” only for one firm (Company A). Two of the firms (Company B and D) stated that this factors was not that important and also not unimportant (“neutral”), where only one firm (Company F) indicated it as “not important”.

Product/service was the most important factor among all, as six out of seven respondents (Company A, C, D, E, F, and G) indicated it “very important” factor and one respondent (Company B) indicated it “important”.

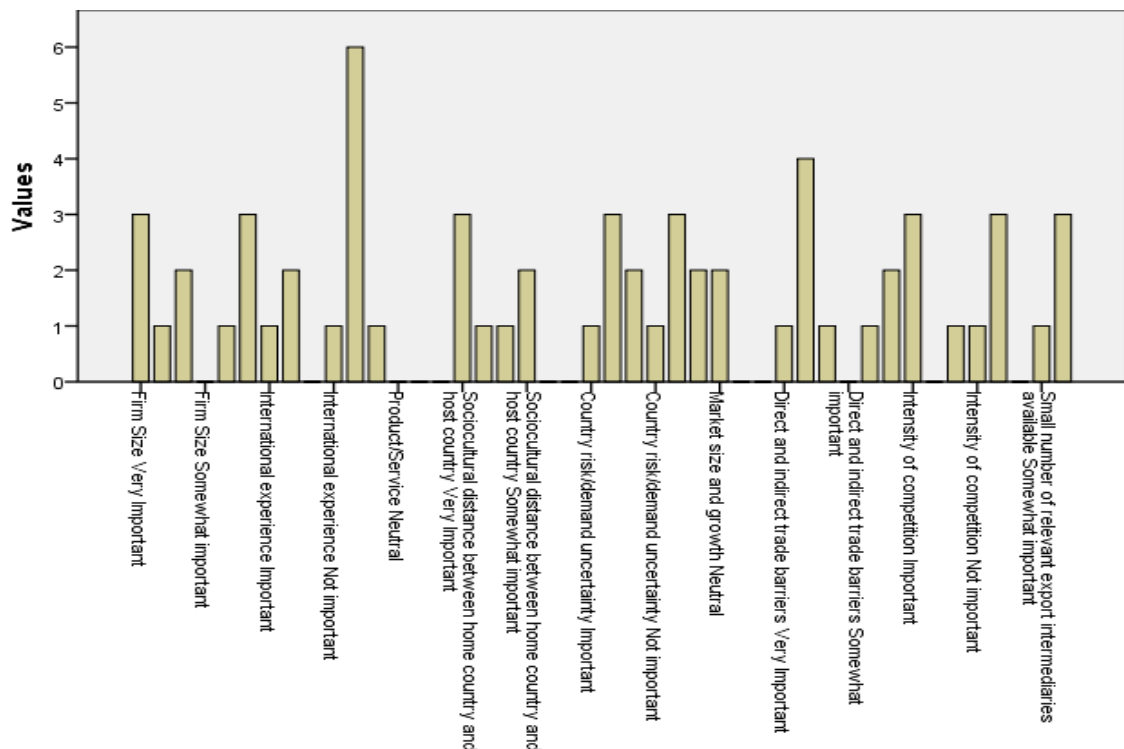
Three (Company A, E, and F) out of seven respondents stated socio-cultural distance between home country and host country was a “very important” and one respondent (Company B) designated it as “important” factor to enter into Austrian market. It indicates that there is a low cultural difference among the consumers of home country and Austria (host Country) and the country is close to each other, that’s why it was easier for the companies to start their business in Austria. For one company (Company G), this factor was neither important nor unimportant (“neutral”) and for other two companies (Company C, D) it was “somewhat important”.

On the other hand, for country risk/demand uncertainty three (Company A, B, and G) out of seven respondents pointed out as “neutral”. For them, it was not that important and at the same time, it was also not unimportant factor to enter into Austria. Only one company (Company E) stated it as “important”, where two (Company C, F) said it was “somewhat important” factor and it was “not important” factor for only one company (Company D).

Market size and growth was “very important” for three companies (Company A, D, and E), where it was “important” only for two companies (Company C and F). This factor was neither important nor unimportant (“neutral”) for other two companies (Company B and G).

Four out of seven respondents (Company B, C, D, and E) indicated direct and indirect trade barriers an “important” factor while entering into Austria. One company (Company F) has specified it as “very important” factor as it was the main problem for them while entering into this market. So for most of the companies this factor had an important impact on the decision while entering into Austrian market. Although, for one company (Company A) this factor was not that important, where one company (Company G) stayed at “neutral” position for this factor.

**Figure 16: Factors influencing the market entry decision in Austria**



**Table 15: Importance of factors influencing the market entry decision in Austria**

|   |                    |   |
|---|--------------------|---|
| <b>Firm Size</b>  | Very Important     | 3 |
|   | Important          | 1 |
|   | Neutral            | 2 |
|   | Somewhat important | 0 |
|   | Not important      | 1 |
| <b>International experience</b>                                     | Very Important     | 3 |
|   | Important          | 1 |
|   | Neutral            | 2 |
|   | Somewhat important | 0 |
|   | Not important      | 1 |
| <b>Product/Service</b>  | Very Important     | 6 |
|   | Important          | 1 |
|   | Neutral            | 0 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>Sociocultural distance between home country and host country</b> | Very Important     | 3 |
|   | Important          | 1 |
|   | Neutral            | 1 |
|   | Somewhat important | 2 |
|   | Not important      | 0 |
| <b>Country risk/demand uncertainty</b>                              | Very Important     | 0 |
|   | Important          | 1 |
|   | Neutral            | 3 |
|   | Somewhat important | 2 |
|   | Not important      | 1 |
| <b>Market size and growth</b>                                       | Very Important     | 3 |
|   | Important          | 2 |
|   | Neutral            | 2 |
|   | Somewhat important | 0 |
|   | Not important      | 0 |
| <b>Direct and indirect trade barriers</b>                           | Very Important     | 1 |
|   | Important          | 4 |
|   | Neutral            | 1 |
|   | Somewhat important | 0 |
|   | Not important      | 1 |
| <b>Intensity of competition</b>                                     | Very Important     | 2 |
|   | Important          | 3 |
|   | Neutral            | 0 |
|   | Somewhat important | 1 |
|   | Not important      | 1 |
| <b>Small number of relevant export intermediaries available</b>     | Important          | 3 |
|   | Neutral            | 0 |
|   | Somewhat important | 1 |
|   | Not important      | 3 |

Intensity of competition was an “important” factor for three companies (Company D, E, and G), while it is “very important” for two companies (Company A, C). For one company (Company B) it was “somehow important” and for another one (Company F) it was “not important” at all while entering into Austria. Altogether, it was an important factor for the companies to consider while entering into Austrian market.

Existence of export intermediaries in host country was an important factor for three companies (Company D, E, and G) where it was also not important for another three firms (Company A, B, and F). Only one company (Company C) indicated this factor as “somewhat important”.

Besides all these factors, there are some additional aspects that the respondents pointed out. According to them, analyzing consumer behavior towards their individual food category was also important at the time when they entered into Austria. There is also huge market potential because of the high Gross Domestic product (GDP) rate and big market size which have also impact on the decision making process. For some German companies, it was easier to decide about Austrian market as the language of these two countries is same. The companies have considered that it will help them to reach economies of scale if they enter into Austrian market. On the other hand, retailing structure has also has huge impact on the decision. According to some of the respondents, the retailing structure of Austria is really organized where it is easier to reach the products to the buyers very easily. From the point of view of one company, it is also easier to establish the whole business is also convenient in Austria.

**Table 16: Mean value of factors influencing the market entry decision in Austria**

| Statistics |         |           |                          |                 |  |                                  |                        |                                    |                          |  |
|------------|---------|-----------|--------------------------|-----------------|--|----------------------------------|------------------------|------------------------------------|--------------------------|--|
|            |         | Firm Size | International experience | Product/Service | Sociocultural distance between home country and host country | Country risk/default uncertainty | Market size and growth | Direct and indirect trade barriers | Intensity of competition | Small number of relevant export intermediaries available |
| N          | Valid   | 7         | 7                        | 7               | 7  | 7                                | 7                      | 7                                  | 7                        | 7  |
|            | Missing | 0         | 0                        | 0               | 0  | 0                                | 0                      | 0                                  | 0                        | 0  |
| Mean       |         | 2,286     | 2,286                    | 1,143           | 2,286  | 3,429                            | 1,857                  | 2,429                              | 2,429                    | 3,571  |

The above mentioned table shows the most and least important factors that influenced the companies while taking decision of market entry for Austria. The result of the findings about the importance of factors considering Austria is not consistent with the findings about their general overview. Here, the physical characteristic of product or



service (mean value 1.143) was the most important factor that the companies considered while entering into Austria. The second most important factors that they considered is the market size and growth (mean value 1.857). The less important factors that the companies considered while penetrating into Austrian were small number of relevant export intermediaries available in Austria (mean value 3.571) and country risk/demand uncertainty (mean value 3.429). The other factors were somewhat important for the companies.

## **7.4. Internationalization Motives**

In this part, the respondents were asked to specify the importance of motivating factors that can drive a company to go global. The motives that were considered are as follows; profit and growth goals, managerial urge, technology competence/unique product, economies of scale, tax benefits, competitive pressure in domestic market, domestic market is small and saturated, overproduction/excess capacity, unsolicited foreign orders, extend sales of seasonal products, and proximity to international customers/psychological distance. In the first part the general overview of the respondents regarding the motives have been summarized and in the second part, their consideration regarding Austrian market has been described. Like the previous part, five-point Likert scale (1=very important, 5=Not important) has been used for two questions along with an open-ended question.

### **7.4.1. Internationalization Motives in General**

Bearing the table 17 and figure 17 in mind, the results of profit and growth goals drew the attention. As the findings indicate that out of seven respondents, six of them (Company A, C, D, E, F, and G) expressed this motive as “very important” and the remaining one (Company B) phrased as “important” motive that have steered them to penetrate into a new market.

When taking a look to the results of another main motive managerial urge, it is observed that there is equal distribution between “very important” and “important”, as the number in both cases are identical; two companies (Company A and E) defined this motive as “very important” and two companies (Company C and F) as “important”. The rest three companies (Company B, D and G) mentioned “neutral” for this motive, which indicates, it is neither important nor unimportant.

However, in recent years the importance of the motive “technology competence/unique product” has been growing remarkably in international business environment for the firms, the findings of this motive was not prospective outcome. Because only one company (Company B) mentioned that it is “very important” and three companies (Company C, D and E) defined this motive as “important”. Out of the remaining companies, one company (Company A) indicated as “neutral” and one of the companies out of left two (Company F) designated as “somewhat important” and the final one considered these motives as “not important”.

The option of foreign market opportunities/market information was considered as key determinant, which drives the companies to enter into a new market. This motive was figured out as “very important” for two companies (Company C and G). According to the majority of the respondents, this motive is significant, as four of them (Company A, B, D and E) defined it as “important”. The last one (Company F) chose “neutral” option.

The results of economies of scale significantly show that this motive obviously is a driver for the companies to come into a new market. One company (Company G) remarked it “very important” and five of companies (Company A, B, D, E, F) pointed out this option as “important”. The final one (Company C) expressed it as "somewhat important".

The results of tax benefit are the most interesting within all the other remaining motives in this question. Since the results condensed on the response of “not important”, as there are three companies (Company A, B, and C) assigned their reply towards this option. The rest are distributed very diversely among the other options. One of the companies (Company D) indicated as “somewhat important”, and the other one (Company G) as “neutral”. Out of remainder two companies, one of them (Company E) expressed that this motive is “important” and the other (Company G) specified as “very important”.

The motive “competitive pressure” resulted such as; one of the companies (Company F) mentioned as “very important” and three of them (Company D, E and G) defined as “important”. The last three companies (Company A, B and C) indicated as “neutral”.

As the results demonstrates that most of the companies in the sampling frame attach the importance to the domestic market’s being small and saturated. From seven companies, four of them (Company C, D, E and G) specified this motive as “important”, two

companies (Company A, and F) indicated as “neutral” and only one of those companies (Company B) found it “somewhat important”.

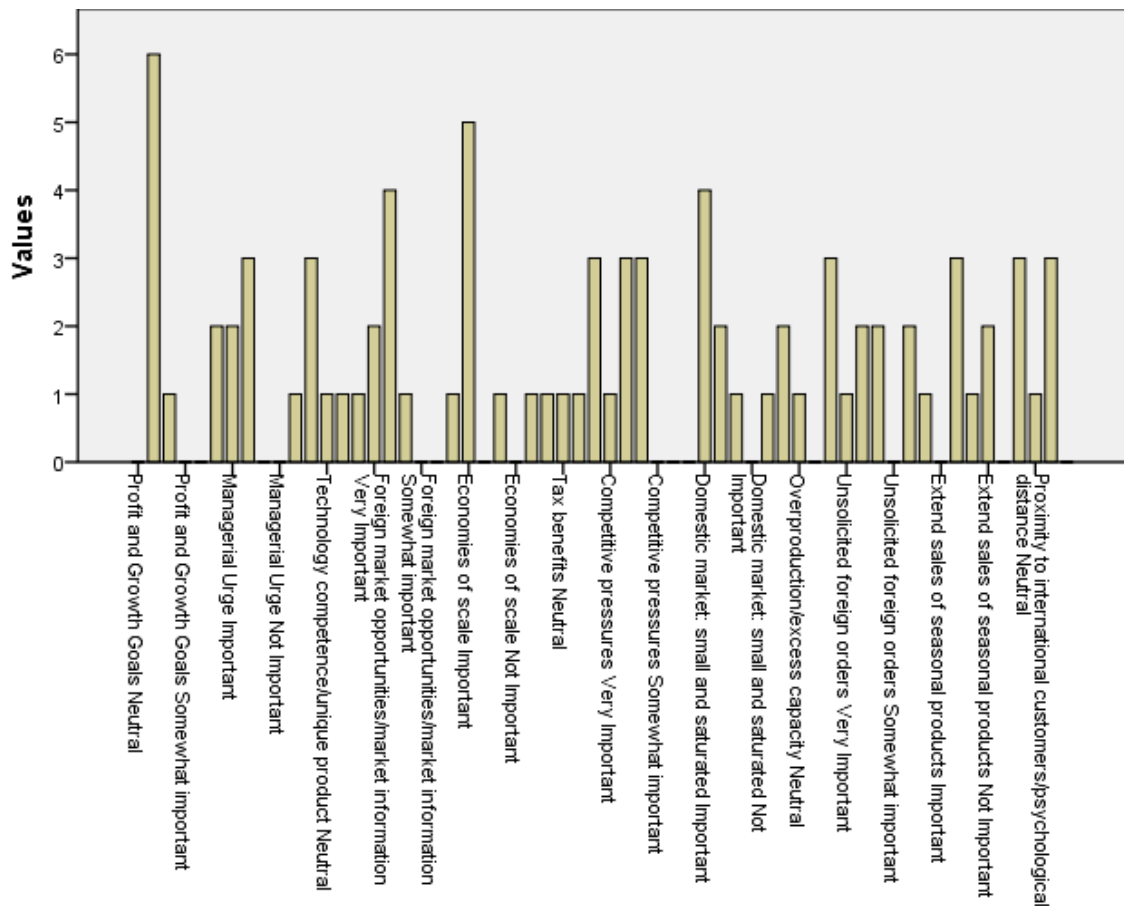
The condensation of the “not important” results about overproduction/excess capacity is likewise tax benefits’ findings. Among all other motives, only these two motives have the same amount of “not important” expression where the results on this field are the highest. There are three companies (Company A, B, and C) which considered this motive as “not important”. For one company (Company D), it was neither important nor unimportant that’s why the respondent selected “neutral”. Two companies (Company E and G) expressed it as “important” and the last company (Company F) selected “very important” choice.

Motive of unsolicited foreign orders has been answered variously by the companies in the sampling frame. The findings are as following: one company (Company F) as “very important”, two companies (Company E and G) as “not important”, and two companies (Company B and D) as “neutral” and the remainder (Company A and C) as “not important”.

Table 17: Importance of internationalization motives in general

|  |                    |   |
|--|--------------------|---|
| <b>Profit and Growth Goals</b>                                     | Very Important     | 6 |
|  | Important          | 1 |
|  | Neutral            | 0 |
|  | Somewhat important | 0 |
|  | Not Important      | 0 |
| <b>Managerial Urge</b>   | Very Important     | 2 |
|  | Important          | 2 |
|  | Neutral            | 3 |
|  | Somewhat important | 0 |
|  | Not Important      | 0 |
| <b>Technology competence/unique product</b>                        | Very Important     | 1 |
|  | Important          | 3 |
|  | Neutral            | 1 |
|  | Somewhat important | 1 |
|  | Not Important      | 1 |
| <b>Foreign market opportunities/market information</b>             | Very Important     | 2 |
|  | Important          | 4 |
|  | Neutral            | 1 |
|  | Somewhat important | 0 |
|  | Not Important      | 0 |
| <b>Economies of scale</b>  | Very Important     | 1 |
|  | Important          | 5 |
|  | Neutral            | 0 |
|  | Somewhat important | 1 |
|  | Not Important      | 0 |
| <b>Tax benefits</b>  | Very Important     | 1 |
|  | Important          | 1 |
|  | Neutral            | 1 |
|  | Somewhat important | 1 |
|  | Not Important      | 3 |
| <b>Competitive pressures</b>                                       | Very Important     | 1 |
|  | Important          | 3 |
|  | Neutral            | 3 |
|  | Somewhat important | 0 |
|  | Not Important      | 0 |
| <b>Domestic market: small and saturated</b>                        | Very Important     | 0 |
|  | Important          | 4 |
|  | Neutral            | 2 |
|  | Somewhat important | 1 |
|  | Not Important      | 0 |
| <b>Overproduction/excess capacity</b>                              | Very Important     | 1 |
|  | Important          | 2 |
|  | Neutral            | 1 |
|  | Somewhat important | 0 |
|  | Not Important      | 3 |
| <b>Unsolicited foreign orders</b>                                  | Very Important     | 1 |
|  | Important          | 2 |
|  | Neutral            | 2 |
|  | Somewhat important | 0 |
|  | Not Important      | 2 |
| <b>Extend sales of seasonal products</b>                           | Very Important     | 1 |
|  | Important          | 0 |
|  | Neutral            | 3 |
|  | Somewhat important | 1 |
|  | Not Important      | 2 |
| <b>Proximity to international customers/psychological distance</b> | Very Important     | 0 |
|  | Important          | 3 |
|  | Neutral            | 1 |
|  | Somewhat important | 3 |
|  | Not Important      | 0 |

**Figure 17: Internationalization motives in general**



According to the results, majority of the respondents did not express their idea whether this motive is important or unimportant; three companies (Company B, E and G) mentioned it as “neutral”. Only one (Company D) of them indicated it as “somewhat important”. The option of “not important” was selected by two companies (Company A and C).

From the results, it is observed that proximity to international customers/psychological distance cannot be evaluated only as important or unimportant, as there remains three companies (Company A, B and E) which indicated this motive as “important” and the same amount of companies (Company C, D and F) designated as “somewhat important”. The last one (Company G) did not mention any idea about this motive that the respondent selected “neutral” option.

**Table 18: Mean value of internationalization motives in general**

| Statistics |         |                            |                    |   |   |                       |              |                          |  |                                       |                               |   |  |
|------------|---------|----------------------------|--------------------|---|---|-----------------------|--------------|--------------------------|--|---------------------------------------|-------------------------------|---|--|
|            |         | Profit and<br>Growth Goals | Managerial<br>Urge | Technology<br>competence/unique product | Foreign market<br>opportunities/market<br>information | Economies of<br>scale | Tax benefits | Competitive<br>pressures | Domestic<br>market: small<br>and saturated | Overproduction<br>/excess<br>capacity | Unsolicited<br>foreign orders | Extend sales of<br>seasonal<br>products | Proximity to<br>international<br>customers/psychological<br>distance |
| N          | Valid   | 7                          | 7                  | 7                                       | 7   | 7                     | 7            | 7                        | 7  | 7                                     | 7                             | 7                                       | 7  |
|            | Missing | 0                          | 0                  | 0                                       | 0   | 0                     | 0            | 0                        | 0  | 0                                     | 0                             | 0                                       | 0  |
|            | Mean    | 1,14                       | 2,14               | 2,71                                    | 1,86  | 2,14                  | 3,57         | 2,29                     | 2,57                                       | 3,29                                  | 3,00                          | 3,43                                    | 3,000  |

In order to understand the most and least important motive for companies in sampling frame, descriptive analysis was conducted. The results of frequency analysis indicated that the supreme motive was “profit and growth goals” which had the highest mean (1.14). This means that for multinational companies profit and a growth goal was very important motive during the internationalization decision phase. The following pivotal internationalization motive was identified as foreign market opportunities/market information with the second highest mean (1.86). According to the findings, economies of scale and managerial urge had the same proportion of mean (2.14) which allocated these two motives in the third place of importance. As it is seen from table 5.13 the least important internationalization motive was selected as tax benefits (for detailed results of motives, see table 18).

#### 7.4.2. Internationalization Motives for Austria

Taking the table 19 and figure 18 into consideration, it is seen that the first motivating factor “profit and growth goals” was very important for four companies (Company C, D, E, and G). Two respondents (Company A, B) stated its importance as “neutral”, where for one company (Company F) it was a “not important” factor that motivated the company to enter into Austrian market.

Managerial urge is also somehow important for the companies. Out of seven respondents three (Company A, C, D) stated it as an important motivating factor, where one (Company E) mentioned it as “very important”. Two of the respondents (Company B, G) answered “neutral”, as it is neither important nor unimportant for them. For one company (Company F), this motive is not important at all.

Technology competence/unique product that might give a company competitive advantage and lead them to enter into a new market was important for four companies (Company B, C, D, and E), where it was unimportant for the remaining three companies

(Company A, F, and G), meaning that these three companies did not care about the technology and uniqueness of their product while entering into Austria.

Foreign market opportunities/market information is one of the most important factors that motivated the companies to enter into Austrian market. Three (Company D, E, and G) out of seven respondents mentioned this one as “important”, two of them (Company A, C) scaled it as “very important” and the remaining two (Company B and F) were in “neutral” position. This result indicates that Austrian market is very lucrative and there is high possibility for further growth that motivated the firms to take decision in favor of this market.

To attain economies of scale was “important” for three respondents (Company D, E, and F), and “somewhat important” for another two respondents (Company B, C), where two respondents (Company A, G) is “neutral” in this case. So this factor more or less motivated the firms while deciding over the operation in Austria.

Tax benefit is an “important” motivating factor for two companies (Company E, F) and not important for three companies (A, B, C). For one company (Company G), it is “somewhat important”, the one respondent (Company D) stayed at “neutral” position for this factor. Basically, tax benefits did not trigger the companies to enter in Austrian food and beverage industry.

Five out of seven respondents indicated that competitive pressure in domestic market as an “important” factor that encouraged the companies to expand their business in Austria. However, Company F and Company B stated this factor as “neutral” and “somewhat important” respectively. From this observation, it is also clear that high degree of competition was one of the important motivating factors for the companies that stimulated them to penetrate into Austria.

Small and saturated domestic market did not affect that much on the decision of companies for entering into Austria. For only one respondent (Company E), it was “important”, where two respondents (Company D, G) indicated this factor as “neutral”, two (Company C, F) have answered as “somewhat important” and other two (Company A, B) specified this factor as not important at all.

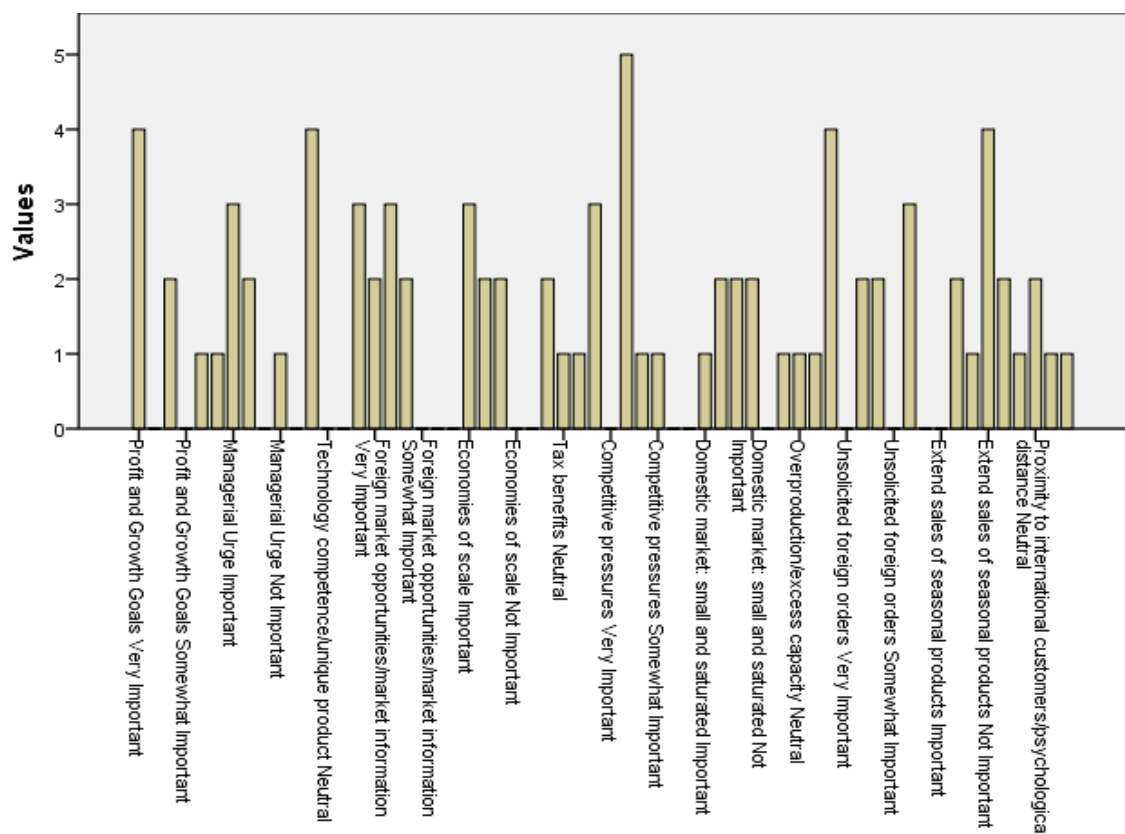
**Table 19: Importance of internationalization motives in Austria**

|  |                    |   |
|--|--------------------|---|
| <b>Profit and Growth Goals</b>                                     | Very Important     | 4 |
|  | Important          | 0 |
|  | Neutral            | 2 |
|  | Somewhat Important | 0 |
|  | Not Important      | 1 |
| <b>Managerial Urge</b>   | Very Important     | 1 |
|  | Important          | 3 |
|  | Neutral            | 2 |
|  | Somewhat Important | 0 |
|  | Not Important      | 1 |
| <b>Technology competence/unique product</b>                        | Very Important     | 0 |
|  | Important          | 4 |
|  | Neutral            | 0 |
|  | Somewhat Important | 0 |
|  | Not Important      | 3 |
| <b>Foreign market opportunities/market information</b>             | Very Important     | 2 |
|  | Important          | 3 |
|  | Neutral            | 2 |
|  | Somewhat Important | 0 |
|  | Not Important      | 0 |
| <b>Economies of scale</b>  | Very Important     | 0 |
|  | Important          | 3 |
|  | Neutral            | 2 |
|  | Somewhat Important | 2 |
|  | Not Important      | 0 |
| <b>Tax benefits</b>  | Very Important     | 0 |
|  | Important          | 2 |
|  | Neutral            | 1 |
|  | Somewhat Important | 1 |
|  | Not Important      | 3 |
| <b>Competitive pressures</b>                                       | Very Important     | 0 |
|  | Important          | 5 |
|  | Neutral            | 1 |
|  | Somewhat Important | 1 |
|  | Not Important      | 0 |
| <b>Domestic market: small and saturated</b>                        | Very Important     | 0 |
|  | Important          | 1 |
|  | Neutral            | 2 |
|  | Somewhat Important | 2 |
|  | Not Important      | 2 |
| <b>Overproduction/excess capacity</b>                              | Very Important     | 0 |
|  | Important          | 1 |
|  | Neutral            | 1 |
|  | Somewhat Important | 1 |
|  | Not Important      | 4 |
| <b>Unsolicited foreign orders</b>                                  | Very Important     | 0 |
|  | Important          | 2 |
|  | Neutral            | 2 |
|  | Somewhat Important | 0 |
|  | Not Important      | 3 |
| <b>Extend sales of seasonal products</b>                           | Very Important     | 0 |
|  | Important          | 0 |
|  | Neutral            | 2 |
|  | Somewhat Important | 1 |
|  | Not Important      | 4 |
| <b>Proximity to international customers/psychological distance</b> | Very Important     | 2 |
|  | Important          | 1 |
|  | Neutral            | 2 |
|  | Somewhat Important | 1 |
|  | Not Important      | 1 |



Overproduction or excess production capacity is one of the factors that inspire the companies to sell the products outside national boundaries. But, this motivating factor was the least important among all the factors in the list. Four out of seven respondents (Company A, B, C, and F) have indicated this factor as “not important”, where for one company (Company E) it was an important factor, the answer was “neutral” for one company (Company G) and somewhat important for another one (Company D). So, due to over production or excess capacity the companies did not enter into Austria. Like the previous factor unsolicited foreign orders was also not important motivating factor for the companies while entering into Austrian market. For three (Company A, C, D) out of seven respondents, this factor was not important at all. For two (Company B, E) of them it was important while for the other two (Company A, F) it was neither important nor unimportant.

**Figure 18: Internationalization motives in Austria**



Extend sales of seasonal products was also one of the least important motivating factor for the companies. For four companies (Company A, C, D, and F) it was not important, only one company (Company B) mentioned it as “somewhat important” where the other two companies (Company E, G) indicated it as “neutral” factor.

The respondents have scattered answer for the last motivating factor which is proximity to international customers or psychological distance between home country and host country. Two (Company A, F) out of seven respondents pointed out that it was very important factor that has driven them to enter in Austria. For one of the respondents (Company B), it was only important, where for two companies (Company E, G) it was neither important nor unimportant. For two others, for Company D and Company C this factor was somewhat important and not important respectively.

Besides these factors, two Italian companies have also mentioned that there is enormous market potentiality because of favorable socio-cultural environment. At the same time, there exists international business environment with huge sales opportunity for the Italian companies as Italian heritage is highly valued by the Austrian consumers.

**Table 20: Mean value of internationalization motives in Austria**

| Statistics |         |                         |                 |                                       |   |                    |              |                       |                                      |                                |                            |                                   |   |
|------------|---------|-------------------------|-----------------|---------------------------------------|---|--------------------|--------------|-----------------------|--------------------------------------|--------------------------------|----------------------------|-----------------------------------|---|
|            |         | Profit and Growth Goals | Managerial Urge | Technology competences/unique product | Foreign market opportunities/market information | Economies of scale | Tax benefits | Competitive pressures | Domestic market: small and saturated | Overproduction/excess capacity | Unsolicited foreign orders | Extend sales of seasonal products | Proximity to international customers/psychological distance |
| N          | Valid   | 7                       | 7               | 7                                     | 7   | 7                  | 7            | 7                     | 7                                    | 7                              | 7                          | 7                                 | 7   |
|            | Missing | 0                       | 0               | 0                                     | 0   | 0                  | 0            | 0                     | 0                                    | 0                              | 0                          | 0                                 | 0   |
| Mean       |         | 2.14                    | 2.57            | 3.29                                  | 2.00  | 2.86               | 3.71         | 2.43                  | 3.71                                 | 4.14                           | 3.57                       | 4.29                              | 2.71  |

When comparing results with the previous table 20, it is observed that order of the importance of the motives altered in a certain extent for Austria. Within all motive, none of them were redounded as “very important” factor. From table 5.16 it is noticeable that the importance of motives “profit and growth goals” and “foreign market opportunities” changed place within the rankings. During the investment towards Austria, foreign market opportunities were prior factor where mean was eventuated as 2.00. Then, profit and growth goals were ranked in the second among all other types of motives, dropped from “very important” to “important” scale as the mean was now 2.14 which was lower when the result in previous question, but it still remained the importance for the multinational companies when considering Austria. Managerial urge was ranked number three before, now with this results it had the same position in the rankings, but with lower mean (2,57) However, tax benefits were located in the least important position before, now overproduction access capacity got the place of this motive and became the least important motive with the lower mean rate (4.14).

## 7.5. Additional Findings

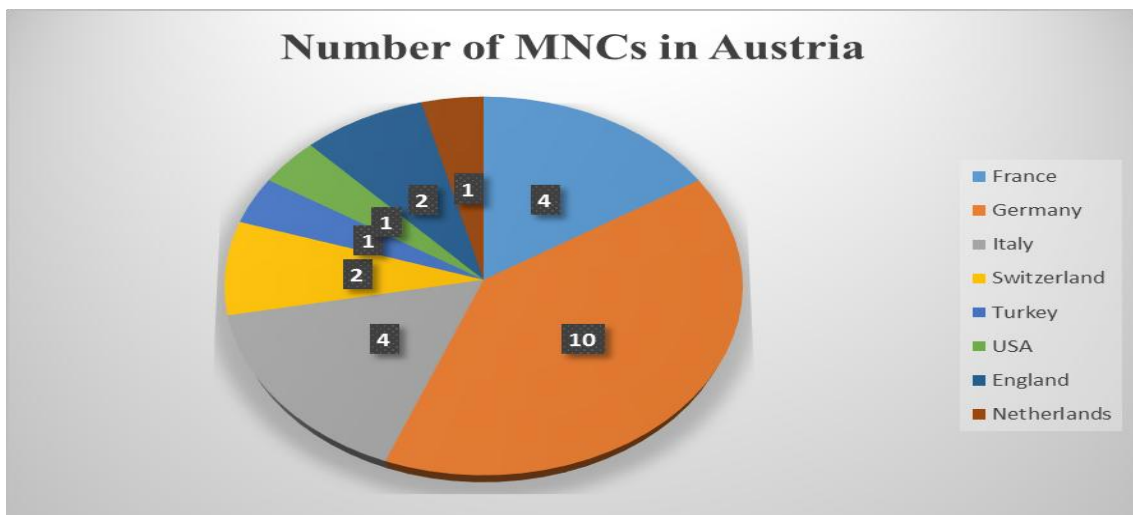
In this part, the additional salient information that is observed from the sampling frame and extra remarkable information during preparing the sampling frame are discussed.

The sampling frame had been divided into two parts; “The companies in Austria” and “The companies in Abroad”. Here are the issues that are noticed in the sampling frame are discussed as follows;

### *The companies in Austria*

From the research it has been found that out of 25 multinational companies in food and beverage industry headquartered (12 in Vienna, 13 outside Vienna) in Austria, 10 companies’ country of origin is Germany, 4 France, 4 Italy, 2 Switzerland, 2 England, 1 Turkey, 1 Netherlands, and 1 USA. It means that this particular market is dominated basically by German multinational companies. The reasons might be the low physical and psychic distance between Austria (host country) and Germany (home country). The low cultural and physical distance has huge impact on companies’ decision of going global. The German companies are taking this advantage and successfully entering into Austrian market.

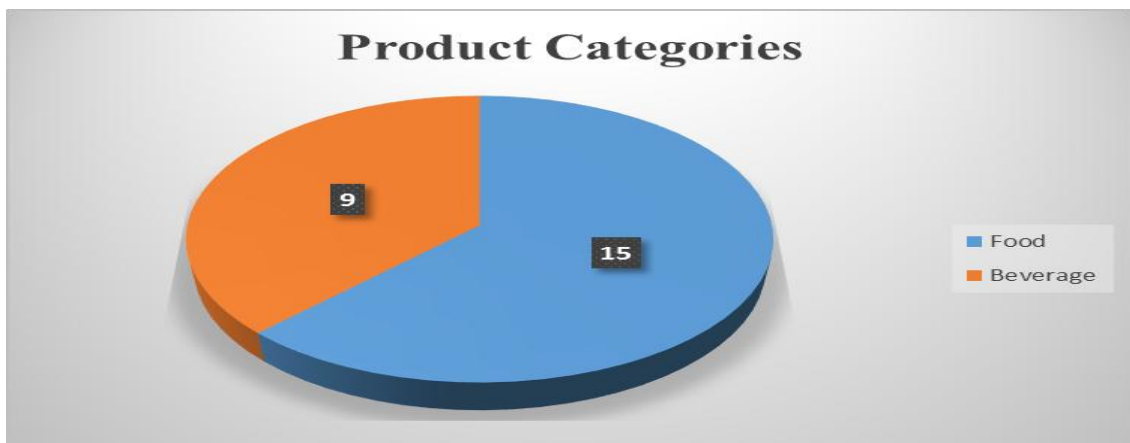
**Figure 19: Number of MNCs in Austria**



If the product category is considered it is found that out of 25 companies 15 of them produce/sell food products, and 9 companies produce/sell beverages, and 1 company produces/sells both food and beverage products. This single company not only produces/sells both food and beverage products of their own brands but also distributes

the products/brands from other companies. It is assumed that beverage industry of Austria is basically more restricted because of many big players, for example, Redbull, Rauch, Agrana, Vivatis etc. That's why there are less beverage companies in located Vienna than the companies producing food.

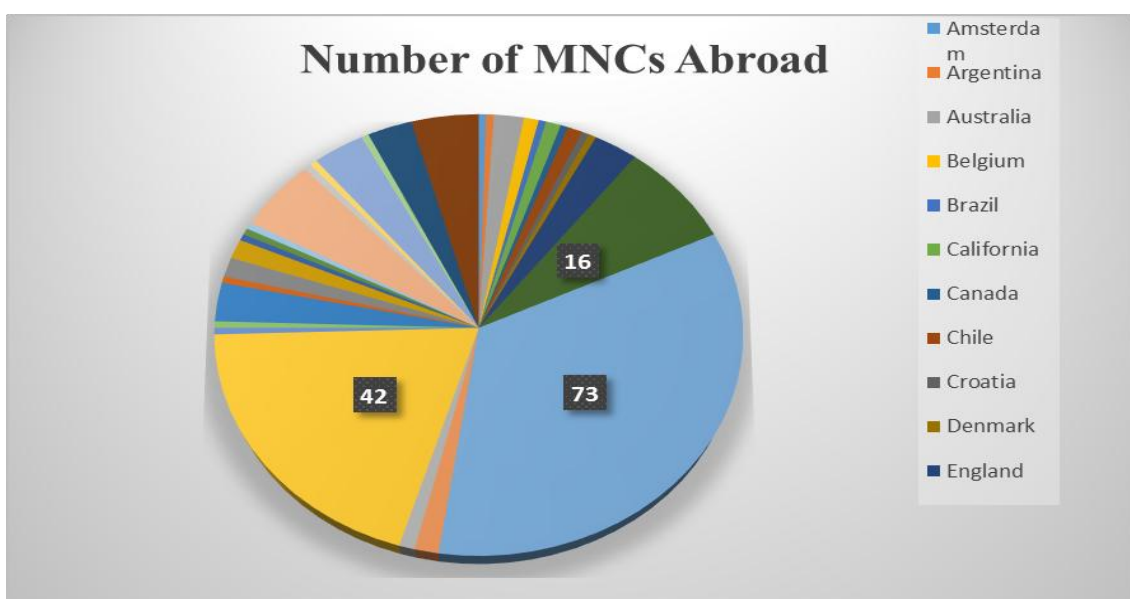
**Figure 20: Product categories**



#### *The companies in Austria*

Here it is also obvious that the German companies are totally leading the whole food and beverage industry of Austria. These companies have no direct subsidiaries or headquarters in Austria. They are more prone to export their products through exporters or local distributors of Austria. May be if the sales grow and if they find the scope of potentiality in this market:

**Figure 21: Number of MNCs abroad**



*The common observation about Austrian food and beverage industry has been summarized below:*

1. The market is dominated by Austrian products. Except some big brands for example; Coca-Cola, Pepsi the supermarket shelves are full of Austrian own products and brands. Most of the brands in juice, milk, water and energy drinks categories are owned by the Austrian companies and the also by the retailer itself.
2. Some of the supermarkets are focusing on bio products. One of them is DM. In this case, some German companies are dominating the market.
3. In some supermarkets, one or two brands are dominating in different categories of products.
4. Sometimes, some Austrian companies outsource the production of specific products in another country or another company.
5. All the supermarkets produce their own products sometimes mark the package with Austrian flag so that the consumers' can understand that the product is Austrian because in many cases Austrian consumers are very ethnocentric in nature.

## 8. CONCLUSION AND RECOMMENDATIONS

### 8.1. Conclusion

This is the concluding chapter of the research which involves comments on interrelations of previous parts, conclusions about overall observations during the research of the study and summary of key research findings.

The research presents a significant importance for Austria as it provides a complete research on food and beverage industry. During the research both face to face interview and online questionnaire was conducted with multinational companies whose products have been existing in Austrian market.

The main objective of this master dissertation is to analyze the market entry strategies of MNCs in food and beverage sector in Austria. To reach this aim, the following research questions were formulated such as;

1. What are the different market entry strategies pursued by MNCs in food and beverage sector in Austria and what has been the result of following these strategies?
2. What are the problems MNCs facing while determining entry mode strategies?
3. What factors influence the choice of entry mode?
4. What are the motives of MNCs entering into Austrian food and beverage industry?
5. What is the most appropriate market entry strategy for MNCs with regard to food and beverage industry in Austria?

The findings of all the research questions have been summarized in the following;

*RQ1: What are the different market entry strategies pursued by MNCs in food and beverage sector in Austria and what has been the result of following these strategies?*

At the first part of the questionnaire, the respondents were asked to provide their opinion about the market entry strategies for Austria. For food and beverage industry in

Austria, all the companies are using exporting as the main market entry mode. Only three companies are using wholly-owned subsidiaries along with exporting. So, the prominent market entry strategy for Austrian food and beverage industry is first “Exporting” and then “Wholly-owned Subsidiaries”. The reasons for using this strategy are to evaluate the intensity of competition, market structure, and potentiality of the market environment. The companies are not willing to take risk of following any mode which involves high resource commitment. If they find the market is effective enough for the further investment, then they change their strategy and move to wholly-owned subsidiaries. When the respondents were asked about their overall strategies for market entry for other countries, same result has been observed, as they implemented the same strategy for Austria. So, it can be concluded that for this industry the most dominating market entry mode is exporting.

Most of the companies are operating successfully in this market, where three companies mentioned that their expectation from the business has already been and three others’ expectation is about to meet which shows that the companies are satisfied over the operation of the business. So, their entry strategies worked properly that generated a positive result.

*RQ2: What are the problems MNCs facing while determining entry mode strategies?*

With this research question, it is aimed to find out the different challenges that multinational companies suffered when these companies penetrated into Austrian food and beverage industry. Another chief objective was to discover new and additional challenges with the help of the findings of online survey and face-to-face interview. The question was divided into two parts in the survey in order to examine and compare these troubles that had faced in past and at present.

With the first one, the respondents were asked to specify the problems while entering into Austrian food and beverage industry. From the findings that are given in the previous part, it is observed that one of the most common problems that multinational companies in the sampling frame had faced is the degree of competition. As Austria’s market structure is highly competitive and involving numerous local and global competitors, the problems with the pricing strategies transpired for multinational companies. However, Austrian food and beverage industry consists of both domestic and multi-domestic firms; the main problem for majority of companies is the presence

of authoritative enterprises, which dominate the other firms existing in the same market and gain control over the market. Another remarkable trouble is the requirements of Austrian government for quality and standards. The last issue that is observed in this question was that except all of other companies, only one company had faced troubles with trade barriers. The reason of this problem might be the origin of this company was not in EU. That's why, this company was not able to take advantage of the dynamics such as free movement of goods/services and factors of production across borders, monetary policies, taxation and government incentives.

In the second part, the question was structured to represent the current problems in food and beverage industry in Austria. The common reflection of the results is that these companies are having difficulties because of high competition. This issue was also denoted in the problems in past. In addition, Austrian quality standards are also one of the common troubles.

To sum up, there is various numbers of different problems that multinational companies face while determining their entry mode strategies. Nevertheless, when comparing the problems with past and present, the only thing that is common is competition. It is possible to conclude from research findings, competitive environment is an important challenge for multinational companies in Austria. For all sectors, competition has assumed as pretty important and risky factor that can create a variety of drawbacks to companies, since due to severe competition, many firms have been losing their existing customer, facing with financial problem, pulling out of the market or going out of the business etc.

*RQ3: What factors influence the choice of entry mode?*

In the findings of part of the study, the factors that influence the choice of market entry decision of the companies while entering into a new market have been discussed in detail. Like other questions in survey, this research question was divided into two parts, general overview of the companies and the specific consideration for Austrian market. Different research findings were acquired in terms of both cases.

From general point of view, the result designated that most important factors that highly effect the companies' decision over market entry mode were these factors; country risk/demand uncertainty, and direct/indirect trade barriers. It indicates that the while



planning for the market entry mode, the companies prioritize the analysis of risk of investment in a particular country. Same way, they examine the direct and indirect trade barriers that might hinder their business in that specific country. However the results for general showed these factors are utmost important, the findings for Austria had changed and the most important factor became physical characteristics of product/service. So, the companies did not consider the existence of intermediaries in Austria as well as the risk of their investment while deciding over the mode of entry into Austria which is actually 'exporting' even though for them. The country risk became one of the least important factors for them when considering Austria. This result indicated a challenge. The reason of that may arise from the fact that Austria is known as the less risky and stable market, so the companies did not take into account of this factor too much.

Nevertheless, another important issue for firms in penetrating new foreign markets were market size and international experience in the second place, but for Austria, the results again changed and only market size was considered as second important consideration and international experience became third through importance ranking. However, there had been change in the order of importance; this switch can be considered as less important, because these two factors are correlated with each other, this means that they are still pivotal factors with regards to the choice of entry mode. Since the size of the market is accepted as one of the main determinants a multinational company has to reckon among the phase on the choice of an entry mode. Hence, if a firm has prior international experience, it has chance to apply the strategies in more accurate way and have deeper understanding and information about foreign markets. As they know how to act in these markets, they have more opportunity to reach success in new markets.

It was observed that firm size was placed in the third place for both cases. It is known that bigger firms with better assets and capabilities will be able to struggle more efficiently and effectively than the smaller firms. On the other hand it has connection with international experience, mainly small sized firms face with tough troubles due to having lack of experience operating in the foreign market.

Concerning availability of small number of relevant export intermediaries influencing entry mode, this factor had no significant influence on the companies. The results were same for both general and Austria, it ranked on the last place among all other factors.

*RQ4: What are the motives of MNCs entering into Austrian food and beverage industry?*

This research question also separated into two in the same way as previous research questions. With the results of this question, it is aimed to determine the salient factors of entrance of multinational companies into Austrian food and beverage industry.

The results represented unexpected results with some motives, since they are known as a pivotal factor for many companies, which desire to internationalize and do business overseas. It is examined that the results of questions for general and for Austria showed differences even with the same motives. It is unknown that what factors drove these respondents to change their results for Austria. The reason hiding behind of the switch with the importance among a new market and Austria can be investigated by the further researchers.

As the essential objective of every business is to gain market share, increase the sales and make profit, the motive "profit and growth goals" resulted as dominating motive. This means that most of the companies consider this motive as a very important factor when they are planning to expand their business in an international market. However, this was an expected result, when the research question turned to a specific country (Austria) in survey, the results had altered, now for most of the companies the foreign market opportunities and gather information option became the most important factor and this factor became as a second. However, this result created a little confusion, but the reason of the switch cannot be directly mentioned or generalized, as the reasons of change had not been asked to the respondents. Especially, profit/growth goals and foreign market opportunities/market information are very closely interrelated with each other that the reason of this switch does not constitute a very big problem as it was still considered as an important for them.

One of the most common objective of companies in the steps of globalization is to identify and evaluate the foreign market opportunities and gather the information as much as possible in order to assess the target market, customer etc. and imply the most appropriate and successful market entry strategy. From the findings, this motive was second important consideration for companies in the sampling frame, but ranked in the first place in importance order for Austria, as companies seek new market opportunities

to make more profit and grow their business and so that they facilitate market entry and expansion.

Economies of scale is another pivotal determinant to gather advantages of unrealized potentials in international markets. Besides, it is a significant factor for companies in enacting the optimal and equilibrium size of firms, and so it is interrelated with the structure of industries, their prices and production levels. Although economies of scale procure cost advantages, generate productivity gains (boost in output per unit of labor, lower unit costs) etc., the degree of importance of economies of scale for companies can vary according to the sector infrastructure. For food and beverage industry, it is preconditioned as important. The research findings of this motive again indicated diverse results for general and Austria. It was resulted in the third place for entering a new market, but in the sixth place for Austria.

Managerial urge plays a critical role for companies in internationalization activities in order to have continuous growth and market expansion. When the results of the research had analyzed, it was significant that this motive played important role for the companies in the sampling frame where it ranked in the third place and shared the same ranking with economies of scale in the importance order for general. When the question was handled for Austria, the same issue was not important for many companies. As fewer companies indicated this motive as less important than other motives, its place changed into the fifth place.

When the results of competitive pressures were evaluated, it is again recognized that there are difference between both cases. For general fewer companies stated that this motive is less important than the others are, so it took place in the fourth, but for Austria case, majority of the companies stated this as more important, so it ranked in the third.

When the domestic market is not big enough to sustain a company's production or when the market turns out to be saturated, some of the companies consider these situations as an attractive alternative to grow their business in a new market. Considering the research findings, this factor was another significant trigger to push them to engage into new markets, but not very important as the other motives that are mentioned above in the results of general one. Again here there had been an exchange among cases, but this time the importance ranking were more dissimilar, as it was in the fifth for the first case and ninth for the second case.

Technological competence/unique production did not show very significant difference among the results for both cases, placed at the order towards the end. Normally, with the effect of globalization and rapid changes in technology, recently many firms take into consideration of this factor. In order to create value or brand image and to have competitive advantage over the other competitors etc., enterprises seek to produce unique price or make their facilities more innovative.

The same issue was relevant for both motives “proximity to international customers or psychological distance between home country and host country” and “unsolicited foreign orders” in both cases. The reason for these results being near to the least important factors for Austria can be the origin of the companies. All the companies are situated in EU region except one company in the sampling frame. Normally these two motives are important issues for the companies while going for internationalization. Especially, many international companies have been trying to adapt their products based on cultural identity, and cultural preferences, that’s why they have paid attention to the proximity to international customers or psychological distance between home country and host country.

Overproduction or excess production capacity has been widely used as a short-term implementation without making a high amount of investment in international activities by risk-averse companies or SMEs, which have limited financial capacity. Therefore, this motive is an important factor for such companies but not for all types of companies. The results of research indicated that this factor was not very important issue in both situations for the companies in the sampling frame; it was placed in the eighth for general, but tenth for Austria.

Another good reason for some of the companies to expand the business into an international market is to have opportunities in extend sales of seasonal products, but this factor is not valid for all companies. Hence, it can be accepted an important strategic issue for the companies which produces seasonal goods. From these reasons mentioned above, the respondents did not find this motive as very important. For general issue, this motive was in the ninth in the ranking, but for Austria, it was the least important factor that took place in the eleventh position, which was the least important factor.

Tax benefits granted by governments have also been playing major motivating role for multinational companies for taking decision of the expansion of operation as in some cases it provides opportunities to the companies to accomplish their business in foreign markets. From the findings, it was seen that this motive was also one of the least important factors that influence companies in the sampling frame, as it was located in the tenth for general and ninth for Austria. The reason of this can be the origin of the country as many of them are EU companies where the taxation is same within all EU countries.

To sum up, in Austria, foreign market opportunities/market information was chosen as the leading important factor and multinational companies in the sampling frame accepted profit and growth goals as second important factor. Therefore, from the results, it can be concluded that the food and beverage industry in Austria was perceived as an opportunistic market and an attractive enough for companies to increase their profit and expand their business. The least important factors were unsolicited foreign orders and tax benefits; this result was related with the companies' country of origin.

*RQ 5. What is the most appropriate market entry strategy for MNCs with regard to food and beverage industry in Austria?*

According to findings of the survey and the sampling frame, it was observed that many of companies (even the companies which did not participate the survey) using export mode as a market entry strategy for food and beverage industry for Austria. Nevertheless, majority of the multinational companies have been using direct export modes via distributors or (foreign-based) agents. The reason of the usage of this type of entry mode can be because of the fact that the multinational companies can easily penetrate to Austrian food and beverage industry more easily in order to access to local market experience and contact with potential customers. Using this market entry mode also may give more control over marketing mix and these companies can acquire more knowledge about Austrian food and beverage industry.

Some of the companies have been using indirect export modes during their exporting activities they have been using export-buying agent, which is located in the exporter's home country, or export houses. This can be because of the fact that these companies do not want to make high investment and take minimum risk while exporting.

The companies do not want to use other market entry modes except wholly owned subsidiaries. Some of the companies have been using both exporting and wholly owned subsidiaries. The exporting strategy was used in order to evaluate the market potential, understand the market structure more and analyze the reaction of the customers towards their products. In addition to these reasons, exporting is less risky and the companies do not have to make high investment. With low investment, they acquire the maximum information as much as they can. After analyzing these, the company decides whether to open a subsidiary in Austria or not. Mainly, well known, financially strong global companies make foreign direct investments towards Austria, as their sales and market shares are considerably higher than the other type of companies.

From the results, it can be concluded that the new potential companies, which have tendency to make business in Austria in food and beverage industry, they can use the direct exporting as a market entry strategy. Because, with this strategy the companies can access to market straight forward and gain knowledge about the market with little or no financial commitment and relatively free of risks.

## 8.1. Recommendations

Concerning the competitive environment a various number of factors that are mentioned in the research, it was recommended to use direct exporting as market entry strategy for Austria in conclusion part of the study. It is crucial to find the right distributor or agent for company's successful entry and consistent growth. The main reasons for recommending that entry strategy are the low manufacturing costs in other countries and the small market structure in Austria, which do not rationalize a foreign direct investment to Austria, as the costs of direct investments and labor are relatively high in Austria. If the product acceptance and consumption would reach higher amount, then foreign direct investment in Austria can be considered as the second stage.

By the way, the companies should not forget about the structure of food and beverage industry in Austria. As mentioned in previous parts, food and beverage industry in Austria have been dominated by global competitors as well as local competitors. Especially, the beverage industry is very concentrated and dominated by local companies and well-known global brands. The success of entering the market with energy drinks and fruit juice is very low that it is strongly advised not to enter Austria with these types of products. On behalf of these products, new companies can penetrate the market with bio drinks, as the consumption of the bio products have been relatively high due to health concerns and changes of Austrian consumers' attitudes towards nutritious food choices. This can also be applied with the bio food products. The companies can release either bio drinks or bio foods in Austrian food and beverage industry.

Another suggestion for companies is to enter the market with the unique and innovative type of the product. On the other hand, the companies should not forget that the assessments of purchasing of the food and beverage products are related with main influencing factors such taste, cost, diversity, accessibility, traditional preferences, and security issues.

Furthermore, the companies should confirm accuracy, homogeneity, and obtain ability of product information in all advertising and promotion and on food or beverage labels, as the Austrian consumers extremely take into consideration these factors.

## **9. LIMITATIONS AND FURTHER RESEARCH**

### **9.1. Limitations of the research**

The purpose of this study was to designate and explain market entry strategies in detail. Due to the several limitations, it could not be possible to have large sample size and enough information about the industry. Here are the limitations that have been faced during the research;

- The key limitation of this paper is the scarcity of data. There exists insufficient secondary data on market entry strategies of multinational companies as well as food and beverage industry in Austria.
- Creating sampling frame for the survey was challenging and took long time to get precise information about the companies. Hence, on account of confusing information on the packages of the products, it was hard to determine the country of origin of the products. For example, it was written on the package that the product is produced outside Austria, this information was put into the initial sampling frame but after making a research, it was realized that the origin of the manufacturing company of the product was Austria. That's why, many company names were excluded from the sampling frame.
- Due to time and financial constraints, only few companies have been included in this research. Though this does not represent a statistically significant sample to generalize the results, but it is adequate for a descriptive study of this nature to define market entry strategies of multinational companies. The online questionnaire platform was designed to increase the sample size by extending the time only after the payment.
- Many companies were unwilling to discuss their strategies with the interviewers of this research; many of the respondents rejected to participate owing to confidential reasons, even some of the companies stated that they are not allowed to participate in the surveys due to their corporate policy. Some have promised to participate on the survey, but even after contacting several times they did not reply. Many of them advised the researchers to find the information from the website, but the information at website is not enough to conclude



anything from this particular research. Because of all these reasons the pool of potential interviewees shrank.

Although the data that has been collected was adequate enough and fulfilled the objectives of this study, it would have been more comprehensive without all these constraints.

## **9.2. Suggestions for Further Research**

This research has laid the basis for the understanding of market entry strategies of multinational companies involved in food and beverage industry in Austria. Various further researches could be conducted as an extension to this study in order to gain a broader view, a deeper and clearer understanding. Suggestions for further researches include;

- According to the research results, it is found that the German companies are dominating food and beverage industry in Austria, followed by Italy and France. By taking this finding into consideration, the researchers can go in depth to this issue and examine whether it arises from consumers' ethnocentrism or affinity towards the products from foreign country.
- However, Slovakia, Hungary and Czech Republic are neighborhood countries, there does not exist products either food or beverage goods from these countries in food and beverage industry in Austria. The researchers can analyze the reasons why they do not exist in this industry. They can further research whether this results from consumer animosity or not.
- It is noticed that the turnover of food and beverage industry of Austria is increasing year by year, but the growth rate of the industry is declining. At the same time, it is also observed that in recent years numbers of companies are decreasing in this particular market. The researchers can also focus on this challenge to find out the real reason.
- In order to investigate similarities and differences of chosen market entry strategies, the same field of research would be very fascinating to accomplish

through a multiple case study of comparing different industries such as tourism industry, fashion industry, construction/infrastructure, health and medical technologies, Chemicals etc.

- A longitudinal study can also be carried out by selecting some specific companies in this industry. Their rationale for particular entry strategies and their success tracked over time could be recognized. Thus, the impact of entry strategies on future success can be determined. At the same time, cross sectional study will also be possible by selecting more than two countries.
- Last but not the least, it is also possible to conduct the identical study in the same industry with larger sample size in order to get more accurate results and generalize the outcome.

# APPENDIXES

## Appendix 1: A Review of the Innovation-Related Internationalization Model

**FIGURE 2**  
**A Review of the Innovation-Related Internationalization Models**

| Bilkey and Tesar<br>[1977]   | Cavusgil<br>[1980]  | Czinkota<br>[1982]  | Reid<br>[1981]   |
|--|---|---|--|
| <p>Stage 1<br/>Management is not interested in exporting</p> <p>Stage 2<br/>Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting</p> <p>Stage 3<br/>Management actively explores the feasibility of active exporting</p> <p>Stage 4<br/>The firm exports on an experimental basis to some psychologically close country</p> <p>Stage 5<br/>The firm is an experienced exporter</p> <p>Stage 6<br/>Management explores the feasibility of exporting to other more psychologically distant countries</p> | <p>Stage 1<br/>Domestic marketing: The firm sells only to the home market</p> <p>Stage 2<br/>Pre-export stage: The firm searches for information and evaluates the feasibility of undertaking exporting</p> <p>Stage 3<br/>Experimental involvement: The firm starts exporting on a limited basis to some psychologically close country</p> <p>Stage 4<br/>Active involvement: Exporting to more new countries—direct exporting—Increase in sales volume</p> <p>Stage 5<br/>Committed involvement: Management constantly makes choices in allocating limited resources between domestic and foreign markets</p> | <p>Stage 1<br/>The completely uninterested firm</p> <p>Stage 2<br/>The partially interested firm</p> <p>Stage 3<br/>The exploring firm</p> <p>Stage 4<br/>The experimental firm</p> <p>Stage 5<br/>The experienced small exporter</p> <p>Stage 6<br/>The experienced large exporter</p> | <p>Stage 1<br/>Export awareness: Problem of opportunity recognition, arousal of need</p> <p>Stage 2<br/>Export intention: Motivation, attitude, beliefs, and expectancy about export</p> <p>Stage 3<br/>Export trial: Personal experience from limited exporting</p> <p>Stage 4<br/>Export evaluation: Results from engaging in exporting</p> <p>Stage 5<br/>Export acceptance: Adoption of exporting/rejection of exporting</p> |

| Reference period                        | Belgium | Luxembourg | Denmark | Germany | Finland | France | Greece | Ireland | Italy | Netherlands | Austria | Portugal | Sweden | Spain | United Kingdom |
|---|---------|------------|---------|---------|---------|--------|--------|---------|-------|-------------|---------|----------|--------|-------|----------------|
| Imports in US-\$ billions <sup>1)</sup> |         |            |         |         |         |        |        |         |       |             |         |          |        |       |                |
| 2011                                    | 466,8   | 26,3       | 96,4    | 1.256,2 | 51,2    | 712,5  | 67,5   | 67,2    | 558,8 | 507,8       | 182,3   | 82,5     | 174,7  | 362,8 | 638,9          |
| 2012                                    | 439,5   | 24,2       | 92,3    | 1.164,6 | 76,6    | 665,1  | 63,4   | 63,2    | 489,1 | 501,2       | 169,7   | 72,3     | 164,1  | 325,8 | 648,7          |
| 2013                                    | 452,2   | 23,9       | 98,4    | 1.190,1 | 77,4    | 668,7  | 62,1   | 66,0    | 477,6 | 507,5       | 172,6   | 75,1     | 159,7  | 333,9 | 645,5          |
| 2012                                    | 1. Qu.  | 115,1      | 6,1     | 23,1    | 301,5   | 20,1   | 174,7  | 16,7    | 17,6  | 130,2       | 127,0   | 43,6     | 19,0   | 42,4  | 160,8          |
|   | 2. Qu.  | 109,6      | 6,0     | 22,8    | 289,9   | 18,9   | 167,4  | 15,6    | 15,1  | 124,5       | 124,1   | 42,0     | 17,9   | 40,9  | 161,3          |
|   | 3. Qu.  | 102,2      | 5,7     | 22,1    | 280,4   | 18,0   | 155,1  | 14,6    | 14,9  | 113,5       | 120,9   | 41,1     | 17,3   | 39,2  | 161,1          |
|   | 4. Qu.  | 112,6      | 6,6     | 24,2    | 292,9   | 19,4   | 167,6  | 16,5    | 15,7  | 120,6       | 129,2   | 42,9     | 18,1   | 41,6  | 165,0          |
| 2013                                    | 1. Qu.  | 116,6      | 6,0     | 24,0    | 292,3   | 19,3   | 168,1  | 15,6    | 16,5  | 122,0       | 126,5   | 41,8     | 17,8   | 39,9  | 158,3          |
|   | 2. Qu.  | 112,0      | 6,0     | 23,6    | 295,2   | 18,4   | 166,2  | 15,1    | 15,9  | 118,0       | 124,4   | 42,0     | 18,6   | 39,9  | 159,7          |
|   | 3. Qu.  | 108,7      | 5,9     | 24,8    | 295,1   | 19,5   | 161,0  | 15,7    | 15,8  | 115,5       | 123,9   | 43,7     | 18,9   | 38,4  | 162,9          |
|   | 4. Qu.  | 114,8      | 6,1     | 25,3    | 307,5   | 20,3   | 173,3  | 15,7    | 17,8  | 121,9       | 132,6   | 45,1     | 19,7   | 41,7  | 164,3          |
| 2014                                    | 1. Qu.  | 116,6      | ...     | 25,5    | ...     | 19,0   | 170,8  | ...     | 17,9  | 120,9       | 129,5   | ...      | 19,6   | 40,7  | ...            |
| Exports in US-\$ billions <sup>2)</sup> |         |            |         |         |         |        |        |         |       |             |         |          |        |       |                |
| 2011                                    | 476,0   | 16,8       | 111,9   | 1.477,0 | 79,1    | 584,9  | 33,8   | 127,0   | 523,3 | 569,5       | 169,5   | 59,6     | 187,2  | 298,5 | 478,5          |
| 2012                                    | 446,6   | 14,0       | 106,1   | 1.408,4 | 73,1    | 557,5  | 35,5   | 117,8   | 501,5 | 554,7       | 158,8   | 58,3     | 172,7  | 286,2 | 476,3          |
| 2013                                    | 469,9   | 14,1       | 111,4   | 1.452,6 | 74,4    | 566,9  | 36,3   | 115,3   | 517,6 | 567,7       | 166,5   | 62,8     | 167,6  | 311,0 | 477,0          |
| 2012                                    | 1. Qu.  | 117,6      | 3,8     | 26,5    | 362,1   | 18,7   | 145,6  | 8,1     | 31,1  | 125,0       | 141,1   | 40,3     | 15,2   | 44,8  | 119,7          |
|   | 2. Qu.  | 112,9      | 3,5     | 26,7    | 351,4   | 18,5   | 138,9  | 8,7     | 29,2  | 128,3       | 139,2   | 39,6     | 14,8   | 44,0  | 116,9          |
|   | 3. Qu.  | 105,1      | 3,3     | 25,9    | 343,9   | 17,7   | 130,7  | 8,6     | 29,6  | 118,7       | 131,0   | 38,7     | 13,8   | 40,9  | 119,2          |
|   | 4. Qu.  | 111,1      | 3,4     | 26,8    | 351,0   | 18,2   | 142,3  | 10,1    | 27,9  | 129,3       | 143,4   | 40,2     | 14,5   | 43,1  | 120,0          |
| 2013                                    | 1. Qu.  | 116,2      | 3,4     | 26,4    | 357,3   | 18,3   | 141,8  | 8,7     | 28,3  | 125,0       | 143,0   | 40,3     | 15,2   | 42,4  | 118,1          |
|   | 2. Qu.  | 116,7      | 3,5     | 27,3    | 358,8   | 18,5   | 142,3  | 9,3     | 28,8  | 130,3       | 139,1   | 41,5     | 16,1   | 42,3  | 120,6          |
|   | 3. Qu.  | 116,2      | 3,4     | 28,2    | 361,1   | 18,0   | 134,9  | 9,3     | 29,0  | 125,8       | 137,9   | 41,1     | 15,3   | 40,0  | 116,8          |
|   | 4. Qu.  | 120,7      | 3,8     | 28,6    | 375,4   | 19,7   | 147,8  | 9,0     | 29,3  | 136,6       | 147,6   | 43,7     | 16,2   | 43,0  | 121,1          |
| 2014                                    | 1. Qu.  | 121,2      | ...     | 28,4    | ...     | 18,0   | 145,7  | ...     | 29,0  | 131,1       | 147,9   | ...      | 16,1   | 42,7  | ...            |

S: United Nations, Monthly bulletin of Statistics, 08.08.2014. - 1) Imports: cif (costs, insurance, freight). - 2) Exports: fob (free on board).

## Appendix 3: Questionnaire

### Market Entry Strategies of Multinational Companies in Austria: A Case Analysis on Food and Beverage Industry

#### Page 1

The following survey is conducted as a requirement of master thesis at the Institute of Business Administration/Business Administration of University of Vienna (Department of Management). The purpose of this research is to analyze the market entry strategies of multinational companies in Austria focusing only on food and beverage industry. Your answers and all data collected will be kept highly confidential. The survey will take only 20 minutes. We would like to thank you for taking part in this study and we greatly appreciate your participation.

#### PART 1: DEMOGRAPHICS

**1. Title of the position**

**2. Name of the company**

**3. Year of establishment**

**4. Firm size**

a. Number of employees

b. Revenue (last year)

c. Market share in Austria (%)

**5. What are the services and/or products your company provide?**

**6. How many different types of brands your company owns? Please specify**

**7. In which of the following regions do you sell your product?**

☐ Europe

☐ Asia

☐ Africa

☐ South America

☐ North America

☐ Australia

**8. How long has your company been existing in Austrian Market?**

## PART 2: MARKET ENTRY DECISION

9. Which mode of entry does your company use mostly to enter into a new market?

☐ Exporting

☐ Licensing

☐ Franchising

☐ Contract Manufacturing

☐ Joint Ventures

☐ Wholly-Owned Subsidiaries

☐

10. Which mode of entry did your company use to enter into Austrian market?

11. What are the main motives for this decision?

12. What is the current situation of your business in Austria?

13. What are main difficulties your company faced while entering into Austrian market?

14. What are main difficulties your company is facing right at the moment?

15. Please indicate your expectation from the business in Austria.

|             | Exceeded              | Met                   | About to meet         | Didn't meet           | Will not meet at all  |
|-------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expectation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

16. Would you please explain the reason/s for your answer in question 15.

### PART 3: FACTORS INFLUENCING THE CHOICE MARKET ENTRY DECISION

17. How important are the following factors for your company while making a decision on market entry?

|  | Very Important        | Important             | Neutral               | Somewhat Important    | Not Important         |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Firm Size  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| International experience                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Product/Service  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Sociocultural distance between home country and host country | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Country risk/demand uncertainty                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Market size and growth                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Direct and indirect trade barriers                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Intensity of competition                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small number of relevant export intermediaries available     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

18. How important were the following factors when your company decided to enter into Austrian market?

|  | Very Important        | Important             | Neutral               | Somewhat Important    | Not Important         |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Firm Size  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| International experience                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Product/Service  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Sociocultural distance between home country and host country | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Country risk/demand uncertainty                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Market size and growth                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Direct and indirect trade barriers                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Intensity of competition                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small number of relevant export intermediaries available     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**19. Please comment on the most important factors that influenced the decision makers while choosing an appropriate market entry mode for Austrian market.**

#### **PART 4: INTERNATIONALIZATION MOTIVES**

**20. How important are the following motives that drive your company to enter into a new market?**

|   | Very Important        | Important             | Neutral               | Somewhat Important    | Not Important         |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Profit and Growth Goals                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Managerial Urge   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Technology competence/unique product                        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Foreign market opportunities/market information             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Economies of scale  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Tax benefits  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Competitive pressures                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Domestic market: small and saturated                        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Overproduction/excess capacity                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Unsolicited foreign orders                                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Extend sales of seasonal products                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Proximity to international customers/psychological distance | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |



**21. How important were the following motives that have driven your company to enter into Austrian market?**

|   | Very Important        | Important             | Neutral               | Somewhat Important    | Not Important         |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Profit and Growth Goals                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Managerial Urge   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Technology competence/unique product                        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Foreign market opportunities/market information             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Economies of scale  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Tax benefits  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Competitive pressures                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Domestic market: small and saturated                        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Overproduction/excess capacity                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Unsolicited foreign orders                                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Extend sales of seasonal products                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Proximity to international customers/psychological distance | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**22. Please comment on the most important motivating factors that influenced you to enter into Austrian market.**

» [Redirection to final page of Umfrage Online](#) (change)

## REFERENCES

- ABA (2008), *Information Technology*, Downloaded on August 12th, 2014 from  
<<http://investinaustria.at/EN/Home/Sectors/Information%20Technology/Information+Technology.aspx>>
- ABA (2013), *The Bridge to New Markets*, Downloaded on April 11, 2014 from  
<[http://investinaustria.at/uploads/ABA\\_Eastern\\_Europe\\_Austria\\_2013\\_10702\\_EN.pdf](http://investinaustria.at/uploads/ABA_Eastern_Europe_Austria_2013_10702_EN.pdf)>
- ABA (2014a), *High level of Employment*, Downloaded on July 2nd, 2014 from  
<<http://investinaustria.at/EN/Home/Key%20Facts/High%20level%20of%20employment/High+level+of+employment.aspx>>
- ABA (2014b), *Environmental Technologies*, Downloaded on August 9th, 2014 from  
<<http://investinaustria.at/EN/Home/Sectors/Environmental%20Technologies/Environmental+Technologies.aspx>>
- Advameg (2014), *Austria*, Downloaded on August 12th, 2014 from  
<<http://www.everyculture.com/A-Bo/Austria.html#ixzz3D2hatw1c>>
- Advantage Austria (2010), *Austria Export*, No. 140 Spring/Frühling 2010, Downloaded on November 3rd, 2014 from  
<[http://www.advantageaustria.org/ro/140\\_Food\\_and\\_Beverages-1-.pdf](http://www.advantageaustria.org/ro/140_Food_and_Beverages-1-.pdf)>
- Advantage Austria, (2011), *Austria is at the forefront of the global technology race*, Downloaded on August 12th, 2014 from  
<<http://www.advantageaustria.org/il/oesterreich-in-israel/news/local/20110908-Fresh-View-147--Technologie.en.html>>
- Advantage Austria (2013), *Austria's top 10 Brands*, Downloaded on April 16th, 2014 from  
<<http://www.advantageaustria.org/international/zentral/business-guide-oesterreich/importieren-aus-oesterreich/branchen/nahrungsmittel-und-getraenke/ueberblick.en.html>>
- Advantage Austria (2013b), *Business Guide Austria-Importing from Austria-Industry Sectors-Food and drink Standards*, Downloaded on December 3rd, 2014 from  
<<http://www.advantageaustria.org/international/zentral/business-guide-oesterreich/importieren-aus-oesterreich/branchen/nahrungsmittel-und-getraenke/normen.en.html>>

- Agarwal, S. & Ramaswami, S. N. (1991), Choice of foreign market entry mode: impact of ownership, location and internalization factors, *Journal of International Business Studies*, pp.1-27.
- Agergaard, B. M. , (2010) , How to ensure a successful entrance to the Brazilian Market : With focus on Danish Production Companies, Master Thesis, *International Technology Management at Aalborg University*.
- Agrana (2014), *Agrana at a glance*, Downloaded on October 31, 2014 from <http://www.agrana.com/en/about-agrana/agrana-at-a-glance/>
- Albaum, G. Strandkov, J. & Duerr, E. (1998), *International Marketing and Export Management*, Pearson Education.
- Alexander, N. & Doherty, AM. (2009) *International Retailing*. Oxford: Oxford University Press Edited from Ovcina, D. (2010), *The Dynamics of Market Entry and Expansion Strategy in Emerging Markets: The Case of Wal-Mart in Latin America*, Sheffield Business School at Sheffield Hallam University.
- Al-Kaabi, M., Demirbag M & Tatoglu E. (2010), International Market Entry Strategies of Emerging Market MNEs: A Case Study of Qatar Telecom, *Journal of East-West Business*, 16: pp.146–170.
- Altzinger, W. (1997); Gewinner und Verlierer - Die Auswirkungen des Osthandels auf den österreichischen Arbeitsmarkt, in: Beirat für gesellschafts-, wirtschafts- und umweltpolitische Alternativen; Wege zu einem anderen Europa, Papyrossa Verlag, S. 168-97, Edited from Altzinger, W. (1998), Austria's Foreign Direct Investment in Central and Eastern Europe: 'Supply Based' or Market Driven' ?, *Working Paper* No. 57.
- Anderson, E., & Gatignon, H., (1986), Modes of entry: a transactions cost analysis and propositions, *Journal of International Business Studies* 17 (3), pp. 1–26.
- Andersen, O. (1992), On the internationalization process of firms: A critical analysis, *Journal of International Business Studies*, pp.209-203.
- Andersen, O., & Buvik, A. (2002), Firm's internationalization and alternative approaches to the international customer/market selection, *International Business Review*, 11, pp.347–363.

- ASPECT (2007), *SWOT-analyses for the Environmental-Industry in Austria*, Downloaded on August 2th, 2014 from  
<[http://www.oegut.at/downloads/pdf/ee\\_aspect\\_swot-austria.pdf](http://www.oegut.at/downloads/pdf/ee_aspect_swot-austria.pdf)>
- Austrian Census Report (2011), *Results of the Register-based Census*, Vienna: Statistik Austria, Downloaded on August 22th, 2014 from  
<[http://www.statistik.at/web\\_en/dynamic/statistics/population/publdetail?id=2&listid=2&detail=685&lang=EN](http://www.statistik.at/web_en/dynamic/statistics/population/publdetail?id=2&listid=2&detail=685&lang=EN)>
- Austrian Research and Technology Report (2012) , *Report under Section 8(2) of the Research Organization Act, on federally subsidized research, technology and innovation in Austria*, Downloaded on August 15th, 2014 from  
<[www.bmvit.gv.at/en/service/publications/downloads/.../ftb\\_2012\\_en.pdf](http://www.bmvit.gv.at/en/service/publications/downloads/.../ftb_2012_en.pdf)>
- Austrian Research and Technology Report (2014), *Report under Section 8(1) of the Research Organization Act, on federally subsidized research, technology and innovation in Austria*, Downloaded on August 15th, 2014 from  
<[https://www.bmvit.gv.at/en/service/publications/...ftb/ftb\\_2014\\_en.pdf](https://www.bmvit.gv.at/en/service/publications/...ftb/ftb_2014_en.pdf)>
- Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management (2014), *Food Regulatory affairs in Austria*, Downloaded on December 7th, 2014 from  
<<http://www.bmlfuw.gv.at/en/fields/agriculture/food/Food-regulatory-affairs-in-Austria/Foodsafety.html>>
- Azar, G. (2014), Food culture distance as a predictor of foreign market selection: The case of Swedish Food Exporters, *Journal of Food Products Marketing*, 20:1, pp.75-79.
- Bank Austria (2013), *Forecast 2014 and Outlook 2015*, Downloaded on August 17th, 2014 from<[http://www.bankaustria.at/files/Forecast\\_2014\\_and\\_outlook\\_2015.pdf](http://www.bankaustria.at/files/Forecast_2014_and_outlook_2015.pdf)>
- Barbosa, N. & Louri, H. (2002), On the determinants of Multinationals ownership preferences: Evidence from Greece and Portugal: *International Journal of Industrial Organisation*, 20, pp.493-515 Edited from, Mushuku, T. (2006), *Modes of market entry mode and strategies for South African companies doing business in Tanzania*, University of Pretoria.

- Bartelsman, E., Haltiwanger, J., & Scarpetta, S., (2004), Microeconomic Evidence of Creative Destruction in Industrial and Developing Countries, *IZA Discussion Paper* 1374.
- Benito, G. R. G., & Strøm, Ø. (2000). Chain strategies and modes of foreign market penetration in agribusiness. *Journal of International Food & Agribusiness Marketing*, 11(2), pp. 1–21.
- Biggs, R. P. (2013), *10 reasons to go international*, Atlantric LLC, Portland.
- Bilkey, W. J. and Tesar G. (1977), The export behavior of smaller Wisconsin manufacturing firms, *Journal of International Business Studies*, 9 (Spring/Summer):pp. 93-98 Edited from Andersen, O. (1992), On the internationalization process of firms: A critical analysis, *Journal of International Business Studies*, pp.209-203.
- Birkner, A.,& Gurmman, D. (2008), *Doing Business in Austria*, PLC Cross-border Handbook, Downloaded on August 5th, 2014  
from<[http://www.chsh.com/fileadmin/docs/publications/Birkner/Doing\\_business\\_in\\_Austria\\_AB\\_SG.pdf](http://www.chsh.com/fileadmin/docs/publications/Birkner/Doing_business_in_Austria_AB_SG.pdf)>
- Blomstermo, A., Sharma, D.D. and Sallis, J. (2006), Choice of foreign market entry mode in service firms, *International Marketing Review*, 23(2), pp. 211–229 Edited from Hollensen, S. (2004), *Global Marketing: A Decision-Oriented Approach*, 3rd Edition, Harlow: Financial Times/Prentice Hall.
- BPD Austria (2000), *Facts and Figures*, Downloaded on August 12th, 2014 from [www.austria.gv.at/DocView.axd?CobId=5034](http://www.austria.gv.at/DocView.axd?CobId=5034)
- Bradley, F. (1995), *International Marketing Strategy*, 2nd Edition, Harlow: Prentice Hall, Hemel Hempstead Edited from Hollensen, S. (2007), *Global Marketing: A Decision-Oriented Approach*, 4th Edition, Harlow: Financial Times/Prentice Hall.
- Bradley, F. (2002), *International Marketing Strategy*, 4th Edition, Harlow: Prentice Hall Edited from Gustavsson S. and Lundgren E. (2006), *Internationalization of SMEs: The Challenge of Selecting Foreign Market Entry Modes*, Downloaded on June 5<sup>th</sup> 2014 from <http://epubl.ltu.se/1402-1552/2006/024/LTU-DUPP-06024-SE.pdf>
- Brewer, B. (2001). International market selection: Developing a model from Australian case studies. *International Business Review*, 10, pp.155–174.

- Brouthers, K. D. (1995). The influence of international risk on entry mode strategy in the computer software industry. *Management International Review*, 35(1), pp.7-28.
- Brouthers, K., & Hennart, J.-F., (2007) Boundaries of the firm: insights from international entry mode research, *Journal of Management* 33 (3), pp.395–425 Edited from Morschett, D., Schramm-Klein, H., & Swoboda, B. (2010), Decades of research on market entry modes: What do we really know about external antecedents of entry mode choice?, *Journal of International Management*, 16,pp. 60–77.
- Buckley, P. J., & Casson, M. C. (1998). Analyzing foreign market entry strategies: extending the internalization approach, *Journal of International Business Studies*, 29(3), pp.539-562.
- Bundeskanzleramt Österreich (2013), *For European farmers, size matters*, Downloaded on December 17th, 2014 from  
[http://www.zukunfteuropa.at/site/cob\\_\\_52881/currentpage\\_\\_0/5010/default.aspx](http://www.zukunfteuropa.at/site/cob__52881/currentpage__0/5010/default.aspx)
- Calantone, R. J., Di Benedetto, A. & Song, M. (2010), The impact of industry environment on early market entry decisions by B2B managers in the U.S. and Japan, *Industrial Marketing Management* (39), pp. 832–843.
- Casillas, J. C. & Moreno-Menéndez, A. M. (2013), Speed of the internationalization process: The role of diversity and depth in experiential learning, *Journal of International Business Studies* (2014), 45, pp.85–101.
- Caves, R.E., (1998), Industrial organization and new findings on the turnover and mobility of firms. *Journal of Economic Literature* 36, pp. 1947-1982.
- Cavusgil, S. T. (1980), On the Internationalization Process of Firms, *European Research*, 8 (November):pp.273-81 Edited from Andersen, O. (1992), On the internationalization process of firms: A critical analysis, *Journal of International Business Studies*, pp.209-203.
- Cavusgil, T., Ghauri, P., & Agarwal, M. (2002). *Doing business in emerging markets.* Entry and negotiation strategies. Thousand Oaks: Sage.

- Chee, H. & Harris, R. (1998), *Global Marketing Strategy*, London: Financial times, Pitman Publishing.
- Chung, Henry F. L. and Enderwick, P. (2001), An Investigation of Market Entry Strategy Selection: Export vs. Foreign Direct Investment Modes: A home-host Country Scenario, *Asia Pacific Journal of Management* 18 (4), pp.443 – 460 Edited from Anderson, E., & Gatignon, H., (1986), Modes of entry: a transactions cost analysis and propositions, *Journal of International Business Studies* 17 (3), pp. 1–26.
- Cleeve, E. (1997), The Motives for Joint Ventures: A Transactions Cost Analysis of Japanese MNEs' in the UK, *Journal of Political Economy*, 44, pp.31-43.
- Coase, R. H. (1937), The Nature of the Firm, *Economica*, New Series, Vol. 4, No. 16. (Nov., 1937), pp. 386-405 Edited from Geyskens, I. Steenkamp, J. & Kumar, N. (2006), Make, buy, or ally: a transaction cost theory meta-analysis, *Academy of Management Journal* 2006, Vol. 49, No. 3, pp.519-543.
- Communicaid Group (2014), *Doing business in Austria*, Downloaded on April 2,2014 from <<http://www.communicaid.com/cross-cultural-training/doing-business-in-austria/>>
- Constanza, C. B., & Garcia, R. A. (2007), Export marketing strategies of a developing country. *Journal of Food Products Marketing*, 13(3), pp.1–19.
- Cook, K. S. and Emerson, R.M. (1978), Power, dependence and commitment in exchange networks, *American Sociological Review*, vol. 43, October, pp.721-739 Edited from Lin, S. (2010), Internationalization of the SME: Towards an Integrative Approach of Resources and Competences, *1er Colloque Franco-Tchèque : Trends in International Business*, 2010, France. pp. 117-135.
- Czinkota, M. R. (1982), *Export Development Strategies: US Promotion Policies*, New York: Praeger Publishers Edited from Andersen, O. (1992), On the internationalization process of firms: A critical analysis, *Journal of International Business Studies*, pp.209-203.
- Czinkota, M. R. (2004), *The Export Marketing Imperative*, Texere, an imprint of Thomson Learning.

- Czinkota, M. R. and Ronkainen, I. A. (2007), *International Marketing*, 8th Edition  
Mason, Ohio: Thomson/South-Western.
- Czinkota, M. R. and Ronkainen, I. A. (2010), *International Marketing*, 10th Edition,  
Mason, Ohio: South-Western, Cengage Learning.
- Dahlén, T., Forsman, C. A., & Levén, M. (2003), *Market entry strategies in transition  
countrie* , Luleå: Luleå University of Technology.
- Dawson, J.; Mukoyama, M.; Sang, C.C.; Larke, R. (2009), *The Internationalisation of  
retailing in Asia*, London: Routledge Carson.
- Das, B. L. (2001), *An Introduction to Globalization and its Impact*, Malaysia: Third  
Edition, World Network.
- Davila, A., Foster, G., & Gupta, M. (2003), Venture capital financing and the growth of  
startup firms. *Journal of Business Venturing*, 18(6), pp.689–708.
- Deloitte (2012), *Food and beverage 2012*, Downloaded on December 7th, 2014 from  
<[http://www.deloitte.com/assets/DcomRussia/Local%20Assets/Documents/Foodandbeverage202012\\_web.pdf](http://www.deloitte.com/assets/DcomRussia/Local%20Assets/Documents/Foodandbeverage202012_web.pdf)>
- Djankov, S.; La Porta, R.; Lopez-De-Silanes, F. & Shleifer A. (2002), The regulation of  
entry, *The Quarterly Journal of Economics*, Vol. 117, No. 1, pp. 1-37.
- Douglas, S. P. and C. S. Craig (1983), Examining Performance of U.S. Multinationals in  
Foreign Markets, *Journal of International Business Studies*, 14 (3), pp.51-62.
- Dow Jones Factiva (2010) , Mergers &Acquistions Trends in the Food and Drinks  
Market:In-Depth Deal Analysis and its Impact on the FMCG Landscape, *Edited from*  
IMAP (2010), Food & Beverage Industry Global Report, Downloaded on October 25th,  
2014 from  
<[http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010\\_0.pdf](http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010_0.pdf)>
- Dunning, J. H. (1977), Trade, location of economic activity and the MNE: A search for  
an eclectic approach, In Bertil Ohlin et al., editors, The international allocation of  
economic activity, Proceedings of a Noble Symposium held in Stockholm, London:  
Macmillan.



- Dunning, J. H. (1988), The Eclectic Paradigm of international production: a restatement and some possible extensions, *Journal of International Business Studies*, 19(1), pp. 1-31.
- Eriksson, K. Johanson, J. Majkgaird, A. & Sharma, D. D. (1997), Experiential knowledge and cost in the internationalization process, *Journal Of International Business Studies*, 28(2).
- Embassy of Austria (2014), *Parliamentary Democracy*, Downloaded on August 25th, 2014 from < <http://www.austria.org/the-political-system>>
- Erramilli, M. K & Rao, C.P. (1990) Choice of foreign market entry modes by service firms, *Management International Review*, 30( 2), pp.135-150.
- Essays, UK. (November 2013), *Entry Mode Strategies And Motives Of Internationalization Economics Essay*, Downloaded on December 25, 2014 from <<http://www.ukessays.com/essays/economics/entry-mode-strategies-and-motives-of-internationalization-economics-essay.php?cref=1>>
- Eurostat, Short-Term Business Statistics, NACE Rev. 2 July 2014 Edited from Food Drink Europe (2014b), *At A Glance – Summary of Q1 2014 highlights*, Downloaded on October 24th, 2014 from <[http://www.fooddrinkeurope.eu/uploads/publications\\_documents/FoodDrinkEurope\\_Economic\\_Bulletin\\_Q1\\_2014.pdf](http://www.fooddrinkeurope.eu/uploads/publications_documents/FoodDrinkEurope_Economic_Bulletin_Q1_2014.pdf)>
- Export Entreprises SA(2014), *Import Customs Procedures In Austria*, Downloaded on December 13th, 2014 from <<https://en.santandertrade.com/international-shipments/austria/customs-procedures>>
- Evans, J., & Mavondo, F. T. (2002), Psychic distance and organizational performance: An empirical examination of international retailing operations, *Journal of International Business Studies*, 33(3), pp.515–532.
- Evans, J., Mavondo, F. T., & Bridson, K. (2008), Psychic distance: Antecedents, retail strategy implications, and performance outcomes, *Journal of International Marketing*, 16(2), pp.32–63.
- FAIRS Austria (2013), *Food and Agricultural Import Regulations and Standards – Narrative*, Office of Agricultural Affairs of the USDA/Foreign Agricultural Service in Vienna, Austria, Downloaded on October 5th, 2014 from

- <[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative\\_Vienna\\_Austria\\_12-23-2013.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Vienna_Austria_12-23-2013.pdf)>
- Federal Ministry for Transport, Innovation and Technology (2011), *Realizing potentials, increasing dynamics, creating the future - Becoming an Innovation Leader*, Downloaded on June 11th, 2014 from  
<[http://www.bmvit.gv.at/en/service/publications/downloads/austrian\\_rti\\_strategy.pdf](http://www.bmvit.gv.at/en/service/publications/downloads/austrian_rti_strategy.pdf)>
  - Federal Ministry for Labour, Social Affairs & Consumer Protection and the Federal Ministry for the Interior (2014), *The political, administrative and legal systems*, Downloaded on August 17th, 2014 from <<http://www.migration.gv.at/en/living-and-working-in-austria/austria-at-a-glance/the-political-administrative-and-legal-systems.html>>
  - Federal Ministry of Justice (2009), *The Austrian Judicial System*, Downloaded on June 1st, 2014 from  
<[http://www.justiz.gv.at/web2013/file/8ab4ac8322985dd501229ce2e2d80091.de.0/broschuere\\_english.pdf](http://www.justiz.gv.at/web2013/file/8ab4ac8322985dd501229ce2e2d80091.de.0/broschuere_english.pdf)>
  - FIAA, (Food Industries Association of Austria), (2013), *Austrian Food and Drinks exports continue to enjoy success and popularity Austrian agricultural exports to Germany exceed EUR 3 billion for first time*, Downloaded on December 2th, 2014 from  
<[http://www.press1.de/wrapper.cgi/www.press1.de/files/km\\_kmanu869\\_1380274959.pdf](http://www.press1.de/wrapper.cgi/www.press1.de/files/km_kmanu869_1380274959.pdf)>
  - Finfacts(2009), *Global food production will have to increase 70% for additional 2.3 billion people by 2050*, [http://www.finfacts.ie/irishfinancenews/article\\_1017966.shtml](http://www.finfacts.ie/irishfinancenews/article_1017966.shtml), Edited from IMAP (2010), *Food & Beverage Industry Global Report*, Downloaded on October 25th, 2014 from  
<[http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010\\_0.pdf](http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010_0.pdf)>
  - Food Drink Europe (2011), *Annual Report 2011*, Downloaded on October 26th, 2014 from

<[http://www.fooddrinkEurope.eu/uploads/publications\\_documents/1527\\_FoodDrinkEurope\\_AR11\\_12\\_FINAL\\_7.6.2012.pdf](http://www.fooddrinkEurope.eu/uploads/publications_documents/1527_FoodDrinkEurope_AR11_12_FINAL_7.6.2012.pdf) >

- Food Drink Europe (2012), *Data & Trends of the European Food and Drink Industry 2012*, Downloaded on October 26th, 2014 from  
<[http://www.fooddrinkEurope.eu/uploads/publications\\_documents/Data\\_\\_Trends\\_\(interactive\).pdf](http://www.fooddrinkEurope.eu/uploads/publications_documents/Data__Trends_(interactive).pdf)>
- Food Drink Europe (2014a), *Data & Trends of the European Food and Drink Industry 2013 2014*, Downloaded on October 25th, 2014 from  
<[http://www.fooddrinkEurope.eu/uploads/publications\\_documents/Data\\_\\_Trends\\_of\\_the\\_European\\_Food\\_and\\_Drink\\_Industry\\_2013-2014.pdf](http://www.fooddrinkEurope.eu/uploads/publications_documents/Data__Trends_of_the_European_Food_and_Drink_Industry_2013-2014.pdf)>
- Food Drink Europe (2014b), *At A Glance – Summary of Q1 2014 highlights*, Downloaded on October 24th, 2014 from  
<[http://www.fooddrinkEurope.eu/uploads/publications\\_documents/FoodDrinkEurope\\_Economic\\_Bulletin\\_Q1\\_2014.pdf](http://www.fooddrinkEurope.eu/uploads/publications_documents/FoodDrinkEurope_Economic_Bulletin_Q1_2014.pdf)>
- Gatignon, H. & Anderson, E. (1988), The multinational corporation's degree of control over subsidiaries: An empirical test of transaction cost explanation, *Journal of Law, Economics and Organization*, 4(2), pp. 305-336, Edited from, Mushuku, T. (2006), *Modes of market entry mode and strategies for South African companies doing business in Tanzania*, University of Pretoria.
- Geroski, P. (1995), What do we know about entry?, *International Journal of Industrial Organization* 13, pp.421-440.
- Geyskens, I. Steenkamp, J. & Kumar, N. (2006), Make, buy, or ally: a transaction cost theory meta-analysis, *Academy of Management Journal* 2006, Vol. 49, No. 3, pp.519-543.
- Ghoshal, S. & Moran, P. (1996), Bad for practice: a critique of the transaction cost theory, *Academy of Management Review*, 21(1), pp.13–47 Edited from Hollensen, S. (2007), *Global Marketing: A Decision-Oriented Approach*, 4th Edition, Prentice Hall, Financial Times

- Gruber, M., MacMillan, I. C., & Thompson, J. D. (2008), Look before you leap: Market opportunity identification in emerging technology firms, *Management Science*, 54(9), pp. 1652–1665.
- Gustavsson S. and Lundgren E. (2006), *Internationalization of SMEs: The Challenge of Selecting Foreign Market Entry Modes*, Downloaded on June 5<sup>th</sup> 2014 from <http://epubl.ltu.se/1402-1552/2006/024/LTU-DUPP-06024-SE.pdf>
- Hellmann, T., Hellman, T., & Puri, M. (2000), The interaction between product market and financing strategy: The role of venture capital. *Review of Financial Studies*, 13(4), 959.
- Hill, C., Hwang, P. & Kim, W.C. (1990), An Eclectic Theory of the Choice of international entry mode, *Strategic Management Journal* 11, pp.117–128 Edited from Morschett, D., Schramm-Klein, H., & Swoboda, B. (2010), Decades of research on market entry modes: What do we really know about external antecedents of entry mode choice?, *Journal of International Management*, 16, pp. 60–77.
- Hitt, A. (2009), *Strategic Management Competitiveness and Globalization*, Nelson Education Ltd.
- Hodgson, Geoffrey M. (n.a), Limits of transaction cost analysis, Downloaded on December 26th, 2014 from <https://organizationsandmarkets.files.wordpress.com/2009/09/hodgson-g-limits-of-transaction-cost-analysis.pdf>
- Hollensen, S. (2004), *Global Marketing: A Decision-Oriented Approach*, 3rd Edition, Harlow: Financial Times/Prentice Hall.
- Hollensen, S. (2007), *Global Marketing: A Decision-Oriented Approach*, 4th Edition, Harlow: Financial Times/Prentice Hall.
- Hollensen, S. (2010), *Global Marketing: A Decision-Oriented Approach*, 5th Edition, Harlow: Financial Times/Prentice Hall.
- Hood, N. & Young, S. (1979), *Economics of multinational enterprise*, London: Longman.
- Hymer, S. (1976), *The international operations of national firms: A study of direct foreign investment*, Cambridge, MA: MIT Press Edited from Zimmermann, K. J. (2008),

*Overcoming the Inherent Sources of Liability of Foreignness Measuring and Compensating the Disadvantage of Being Foreign*, Dissertation, Fakultät für Wirtschaftswissenschaften der Universität Augsburg.

- Index Mundi (2013), *Austria Economy Profile 2013*, Downloaded on March, 2014 from <[http://www.indexmundi.com/austria/economy\\_profile.html](http://www.indexmundi.com/austria/economy_profile.html)>
- International Trade Centre (ITC), (2014), *Investment inflow to country "Austria" in the sector "Food, beverages and tobacco"*, Downloaded on December 24th, 2014 from <[http://www.investmentmap.org/fdi\\_PartnerCountry\\_nav.aspx?selCtry=AUT&selInds=D1&selOpt=inflow&selYear=>](http://www.investmentmap.org/fdi_PartnerCountry_nav.aspx?selCtry=AUT&selInds=D1&selOpt=inflow&selYear=>)>
- Issues of Austria (2010), *Religion in Austria*, Downloaded on September 1st, 2014 from <<http://austrianproblems.blogspot.co.at/>>
- Johanson, J. & Mattson, L.G. (1988), "Internationalization in industrial systems – a network approach", In Hood, N., and Vahlne, J. E. (Eds), *Strategies in Global Competition*, Croom Helm, New York, pp. 287 -314 Edited from Lin, S. (2010), *Internationalization of the SME: Towards an Integrative Approach of Resources and Competences*, *1er Colloque Franco-Tchèque : Trends in International Business*, 2010, France. pp. 117-135.
- Johanson, J., & Vahlne, J. E. (1977), The internationalization process of the firm—A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), pp. 23–32.
- Johanson, J. & Vahlne, J. (2009), The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, *Journal of International Business Studies*, 40, pp.1411–1431.
- Johanson, J., & Wiedersheim-Paul, F. (1975). The Internationalization of the firm: Four Swedish cases, *Journal of Management Studies*, 12(3), 305-322.
- Johnson, G., Whittington, R., & Scholes, K. (2011), *Exploring strategy: Text & cases*. Harlow: Financial Times Prentice Hall.

- Johnson , J. & Tellis , J. G., (2008), Drivers of success for market entry into China and India, *Journal of Marketing*, 72 (May) , pp.1-13.
- Khurana, A. & Talbot, B. (1998), The internationalization process model through the lens of the global color picture tube industry, *Journal of Operations Management* 16 \_1998, pp. 215–239.
- Kim, C. & Hwang P. (1992), Global strategy and Multinationals' entry mode choice, *Journal Of International Business Studies*. 23(1), pp.29-53 Edited from Mushuku, T. (2006), *Modes of market entry mode and strategies for South African companies doing business in Tanzania*, University of Pretoria.
- Kirsch, J. R., Laird R. Kenneth & Evansy, G. T. (2000), The entry of International CPA firms into emerging markets: Motivational factors and growth strategies, *The International Journal of Accounting*, Vol. 35, No. 1, pp.99-119.
- Klapper, L., Laeven, L.&Rajan, R.,(2006), Entry, regulation as a barrier to Entrepreneurship, *Journal of Financial Economics* 82(3), pp.591-629.
- Kogut, B. and Singh, H. (1988b), The Effect of national culture on the choice of entry mode, *Journal of International Business Studies*, 19(3), pp. 411-432 Edited from Mushuku, T. (2006), *Modes of market entry mode and strategies for South African companies doing business in Tanzania*, University of Pretoria.
- Koiner, P. (2014), *Standards*, ADVANTAGE AUSTRIA, Downloaded on June 17th, 2014 from < <http://www.advantageaustria.org/international/zentral/business-guide-oesterreich/importieren-aus-oesterreich/branchen/umwelttechnologie/normen.en.html>>
- Kotabe, M. & Helsen, K. (2010), *Global Marketing Management*, 5th Edition, USA: John Wiley & Sons, INC.
- Kumar, V. and Subramaniam, V. (1997), A Contingency Framework for the Mode of Entry Decision, *Journal of World Business* 32 (1), pp. 53 – 72 Edited from Anderson, E., & Gatignon, H., (1986), Modes of entry: a transactions cost analysis and propositions, *Journal of International Business Studies* 17 (3), pp. 1–26.
- Lassere , P. (2007), *Global Strategic Management*, 2nd Edition, Palgrave: Macmillan

- 2.Lebensmittelbericht Österreich (2003), Die Entwicklung des Lebensmittelsektors von 1995 bis 2002, Bundesministerium für Land- und Forstwirtschaft, Umwelt und Wasser, Downloaded on October 29th, 2014 from  
  
<[http://www.bmlfuw.gv.at/publikationen/lebensmittel/archiv/2\\_lebensmittelbericht\\_oesterreich.html](http://www.bmlfuw.gv.at/publikationen/lebensmittel/archiv/2_lebensmittelbericht_oesterreich.html)>
- Lee, J.W. (1995), Capital goods import and long-run growth, *Development Economics*, 48(1), pp. 91-110 Edited from Sun, P., and Heshmati, A. (2010), *International Trade and its Effects on Economic Growth in China*, Downloaded on March 29th from  
<<http://ftp.iza.org/dp5151.pdf>>
- Leonidou, L. C., Katsikeas, C. S., (1996), The export development process: An integrative review of empirical models, *Journal of International Business Studies*, vol.27, no.3, p.517-551 Edited from Lin, S. (2010), Internationalization of the SME: Towards an Integrative Approach of Resources and Competences, *1er Colloque Franco-Tchèque: Trends in International Business*, 2010, France. pp. 117-135.
- Levesque, M., Shepherd, D. A., & Le, M. (2004). Entrepreneurs' choice of entry strategy in emerging and developed markets. *Journal of Business Venturing*, 19(1), pp.29–54.
- Lin, S. (2010), Internationalization of the SME: Towards an Integrative Approach of Resources and Competences, *1er Colloque Franco-Tchèque : Trends in International Business*, 2010, France. pp. 117-135.
- Lorentz, H. (2008); Production locations for the internationalizing food industry: Case study from Russia. *British Food Journal*, 110(3), pp.310–334.
- Lowe, J. & Crawford, N. (1984), *Technology Licensing and the Small Firm*, London: Gower, Aldershot Edited from Hollensen, S. (2007), *Global Marketing: A Decision-Oriented Approach*, 4th Edition, Harlow: Financial Times/Prentice Hall.
- Market Research Reports, Inc (2014), Austria, Downloaded on July 9th, 2014 from  
<<http://www.marketresearchreports.com/countries/austria>>
- Masten, Scott, E. Meehan, James, W. and Snyder, Edward, A. (1991), The Costs of Organization, *Journal of Law and Economic Organization*, 7(1), pp. 1-25 Edited from

- Hodgson, Geoffrey M. (n.a), Limits of transaction cost analysis, Downloaded on December 26th, 2014 *from*  
<https://organizationsandmarkets.files.wordpress.com/2009/09/hodgson-g-limits-of-transaction-cost-analysis.pdf>
- Masten, Scott, E. (1996), Empirical Research in Transaction Cost Economics, in Groenewegen, John (ed.) (1996) *Transaction Cost Economics and Beyond* (Boston: Kluwer), pp. 43-64 Edited from Hodgson, Geoffrey M. (n.a), Limits of transaction cost analysis, Downloaded on December 26th, 2014 *from*  
<https://organizationsandmarkets.files.wordpress.com/2009/09/hodgson-g-limits-of-transaction-cost-analysis.pdf>
  - Meixner, O. and Leitner, A. (2009), Private Labels in the Austrian Food Market: A Qualitative Forecast Using the Scenario Technique, pp.205-220, *Edited from* M. Fritz, U. Rickert, G. Schiefer, System Dynamics and Innovation in Food Networks 2009, Proceedings of the 3rd International European Forum on System Dynamics and Innovation in Food Networks, organized by the International Center for Food Chain and Network Research, University of Bonn, Germany , February 16-20, 2009, Innsbruck-Igls, Austria , Downloaded on December 24th, 2014 *from*  
<http://ageconsearch.umn.edu/bitstream/59177/2/Meixner-Leitner.pdf> >
  - Michigan State University (2014), *Austria: Government*, Downloaded on August 17th, 2014 *from* < <http://globaledge.msu.edu/countries/austria/government>>
  - Morschett, D., Schramm-Klein, H., & Swoboda, B. (2010), Decades of research on market entry modes: What do we really know about external antecedents of entry mode choice?, *Journal of International Management*, 16, pp. 60–77.
  - Mörixbauer, A. (2004), Ernährungs- und Lebensmittelbericht–Zwei Instrumente der Ernährungspolitik in Österreich, Downloaded on October 4th, 2014 *from*  
[http://www.veoe.org/uploads/einblicke/Einblicke\\_1\\_04.pdf](http://www.veoe.org/uploads/einblicke/Einblicke_1_04.pdf)>
  - Mutinelli, M. & Piscitello , L. (1998) The entry mode choice of MNEs: an evolutionary approach, *Research Policy* 27, pp.491–506.
  - naBe-Actionplan (2012) , Austria, Downloaded on September 1st 2014 *from*  
[http://www.uncsd2012.org/content/documents/520AUSTRIAnabe-action plan.pdf](http://www.uncsd2012.org/content/documents/520AUSTRIAnabe-action%20plan.pdf) >



- Nakos, G. & Brouthers, Keith D. (2002), Entry Mode Choice of SMEs in Central and Eastern Europe, *Entrepreneurship Theory and Practice* 27 (1), pp.47 – 64 Edited from Anderson, E., & Gatignon, H., (1986), Modes of entry: a transactions cost analysis and propositions, *Journal of International Business Studies* 17 (3), pp. 1–26.
- Oehlboeck, J. & Gerstner, I. , (2005), *The Austrian Legal System and Laws: a Brief Overview* , Downloaded on September 2nd 2014 from <http://www.nyulawglobal.org/globalex/austria.htm>
- Oesterreichische Nationalbank (OeNB), (2014), *The OeNB's Economic Outlook for Austria for 2014 to 2016; June 2014*, Downloaded on September 2nd 2014 from <http://www.oenb.at/en/Media/20140606-2.html>
- Onkvisit, S. & Shaw, J. J. (2004), *International Marketing: Analysis and strategy*, 4th Edition, New York & London: Routledge.
- Ovcina, D. (2010), *The Dynamics of Market Entry and Expansion Strategy in Emerging Markets: The Case of Wal-Mart in Latin America*, Sheffield Business School at Sheffield Hallam University.
- Panibratov, A. (2010), *Russian multinationals: entry strategies and post-entry operations*, Saint Petersburg State University, Russia
- Papadopoulos, N., & Jansen, D. (1994), Country and method-of-entry selection for international expansion: International distributive arrangements revisited, *Dimensions of International Business*, 11, pp. 31–52.
- Papadopoulos, N., Chen, H., & Thomas, D. R. (2002), Toward a tradeoff model for international market selection. *International Business Review*, 11, pp. 165–192.
- Papyrina, V. (2007), When, how, and with what success? The joint effect of entry timing and entry mode on survival of Japanese subsidiaries in China, *Journal of International Marketing*, Vol. 15, No. 3, 2007, pp. 73–95.
- Pelle, S. (2007), *Understanding Emerging Markets: Building Business Bric by Brick*, New Delhi: Response Books/Sage.
- Peng, M. (2006), *Global Strategy*, 1st Edition, Dallas: University of Texas.

- Peng, M.W.; Sun, L.S.; Pinkham, B. & Chen, H. (2009), The institution based view as a third leg for a strategy tripod. *Academy of Management Perspectives*, 23(3):pp.63-71.
- Pogrebnyakov, N. & Maitland, C. F. (2011), Institutional distance and the internationalization process: The case of mobile operators, *Journal of International Management*, 17 (2011), pp.68–82.
- Polesello , D., Amal, M., Hoeltgebaum, M. (2013), Determinants of international entry mode choice: A Case study of a Brazilian Multinational, *Revista de Administração e Contabilidade da Unisinos*, 10(2), pp.181-194.
- Porter, M. (1985), *Competitive Advantage*, New York:The Free Press.
- Quer, D., Claver, E., Andreu, R., (2007), Foreign market entry mode in the hotel industry: the impact of country- and firm-specific factors, *International Business Review* 16, pp.362–376.
- Reid, S. D. (1981), The Decision-maker and Export Entry and Expansion, *Journal of International Business Studies*, 12 (Fall): pp.101-112 Edited from Andersen, O. (1992), On the internationalization process of firms: A critical analysis, *Journal of International Business Studies*, pp.209-203.
- Robinson, K. C., & McDougall, P. (2001), Entry barriers and new venture performance: a comparison of universal and contingency approaches. *Strategic Management Journal*, 22(6-7), pp.659–685.
- Rogers, E. M. (1962), *Diffusion of Innovations*, New York: The Free Press.
- Root, F.R. (1987), *Entry Strategies for International Markets*, Lexington Books, Lexington, MA Edited from Vepsäläinen, H. (2010), *Electrical Machines' Market in Russia*, Lappeenranta University Of Technology, Downloaded on July 15 th, 2014 from <[http://s3.amazonaws.com/zanran\\_storage/helda.helsinki.fi/ContentPages/114160329.pdf](http://s3.amazonaws.com/zanran_storage/helda.helsinki.fi/ContentPages/114160329.pdf)>
- Root, F. R. (1994), *Entry Strategies for International Markets*. London: Lexington Books

- Root, F. R. (1998). *Entry strategies for international markets*. San Francisco, CA: Jossey-Bass.
- Schmelz, C. & Rajal, B. (2012), *Environment 2013 - Austria* Downloaded on August 8th, 2014 from  
<<http://www.mondaq.com/x/206958/Waste+Management/Environment+2013+Austria>>
- Schuh, A. (2012), Strategy Review for Central and Eastern Europe: Strategic Responses of Foreign Multinational Corporations to the Recent Economic and Financial Crisis, *Journal of East-West Business*, 18:pp.185–207.
- Schuster, T. & Holtbrügge, D. (2012), Market entry of multinational companies in markets at the bottom of the pyramid: A learning perspective, *International Business Review*, 21, pp. 817–830.
- Schweizer, R. (2012), The internationalization process of SMEs: A muddling-through process, *Journal of Business Research*, Volume 65, Issue 6, June 2012, Pages 745–751
- Simpson, C. L. & Kujawa, D. (1974), The export decision process: an empirical inquiry, *J. International Business Studies*, 5 (Spring), pp.107-117.
- Solsten, E.& McClave, E. D, (1993), *Austria: A Country Study*, Washington: Federal Research Division Library of Congress, Downloaded on August 25th, 2014 from  
<[www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA291195&Location=U2&doc=GetTRDoc.pdf](http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA291195&Location=U2&doc=GetTRDoc.pdf)>
- S.P.B Patel engineering Collage (2012), A Global /Country Study and Report "Austria", Gujarat Technological University Ahmedabad , pp.100-101, Downloaded on January 8th, 2015 from <[http://www.gtu.ac.in/ABP/GCSR PDF 2012/779 - Austria.pdf](http://www.gtu.ac.in/ABP/GCSR%20PDF%202012/779%20-%20Austria.pdf)> ,
- Springshare (2014) *Austrian legal system : quick facts* , Downloaded on August 8th, 2014 from <<http://ox.libguides.com/content.php?pid=334374&sid=2735022>>
- Statistics Austria (2013), *Foreign Trade; Absolute Data :Austrian foreign trade in 2013 (final results)*, Downloaded on August 9th, 2014 from  
<[http://www.statistik.at/web\\_en/statistics/foreign\\_trade/foreign\\_trade\\_absolute\\_data/index.html](http://www.statistik.at/web_en/statistics/foreign_trade/foreign_trade_absolute_data/index.html)>

- Statistics Austria, (2014a), *Foreign Trade by selected goods*, Downloaded on December 27th, 2014 from  
<[http://www.statistik.at/web\\_en/publications\\_services/statistical\\_overviews/foreign\\_trade/index.html](http://www.statistik.at/web_en/publications_services/statistical_overviews/foreign_trade/index.html)>
- Statistics Austria, (2014b) *Foreign Trade part 1*, Downloaded on December 27th, 2014 from  
<[https://www.statistik.at/web\\_en/wcmsprod/groups/zd/documents/statueb/027710.pdf](https://www.statistik.at/web_en/wcmsprod/groups/zd/documents/statueb/027710.pdf)>
- Statistics Austria & WIFO (2014) , *Economic Situation and Outlook, June 2014*, Wirtschaftskammer Österreich , Downloaded on August 29th, 2014 from  
<<http://wko.at/statistik/prognose/outlook.pdf>>
- Stiegert, K., Ardalán, A. A. & Marsh T. (2008), Foreign-Market Entry Strategies in the European Union, *Journal of Food Distribution Research* 37(3), pp.44-55.
- Stottinger, B., & Schlegelmilch, B. B. (1998), Explaining export development through psychic distance: Enlightening or elusive?, *International Marketing Review*, 15(5), pp.357–372.
- Sun, H. (1998), Entry modes of multinational corporations into China's market: a socioeconomic analysis, *International Journal of Social Economics*, 26, 5, pp. 642-659.
- Sun, P., and Heshmati, A. (2010), *International Trade and its Effects on Economic Growth in China*, Downloaded on March 29th from <<http://ftp.iza.org/dp5151.pdf>>
- Sustainable Governance Indicators (2014), *Austria: Global Environmental Protection*, Downloaded on August 18th, 2014 from <[http://www.sgi-network.org/2014/Austria/Environmental\\_Policies](http://www.sgi-network.org/2014/Austria/Environmental_Policies)>
- Taylor, C. R., Zou, S., and Osland, G. E. (2000), Foreign market entry strategies of Japanese MNEs, *International Marketing Review*, 17(2), pp.146-163.
- Tse, D. K., Pan, Y. G., and Au, K. Y. (1997), How MNEs choose entry modes and form alliances; the China experience, *Journal of International Business Studies*, 28(4), pp. 779-805.

- The Austrian Federal Economic Chamber & Austrian Trade (2008), *Austria Export*, No. 127 Spring/Frühjahr 2008, Downloaded on October 27th, 2014 from [www.advantageaustria.org/cl/office/AE127.pdf](http://www.advantageaustria.org/cl/office/AE127.pdf)
- The Austrian Foreign Ministry (2014), *The Political System*, Downloaded on August 25th, 2014 from <http://www.bmeia.gv.at/en/foreign-ministry/austria/government-and-politics/political-system.html>
- Tradings Economics (2014a), *Austria GDP per Capita PPP*, Downloaded on August 24th, 2014 from <http://www.tradingeconomics.com/austria/gdp-per-capita-ppp>
- Tradings Economics (2014b), *Austria Imports 1953-2014*, Downloaded on August 24th, 2014 from <http://www.tradingeconomics.com/austria/imports>
- Tradings Economics (2014c), *Austria Exports 1953-2014*, Downloaded on August 24th, 2014 from <http://www.tradingeconomics.com/austria/exports>
- Tybout, R.J., (2000), Manufacturing firms in developing countries: how well they do, and why?, *Journal of Economic Literature* 38, pp.11-44.
- U.S. Library of Congress,(2014) , *Austria: Government and Politics*, Downloaded on June 25th, 2014 from <http://countrystudies.us/austria/100.htm>
- USDA Foreign Agriculture Service (2012), GAIN Report, Food Processing Ingredients Austria: An Overview on the Austrian Food Processing Sector, Downloaded on October 27th, 2014 from [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients\\_Vienna\\_Austria\\_1-5-2012.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients_Vienna_Austria_1-5-2012.pdf)
- Vepsäläinen, H. (2010), *Electrical Machines' Market in Russia*, Lappeenranta University Of Technology, Downloaded on July 15 th, 2014 from [http://s3.amazonaws.com/zanran\\_storage/helda.helsinki.fi/ContentPages/114160329.pdf](http://s3.amazonaws.com/zanran_storage/helda.helsinki.fi/ContentPages/114160329.pdf)
- Vienna City Administration (2014), *Austria's political parties and their history*, Downloaded on June 15 th, 2014 from <https://www.wien.gv.at/english/history/commemoration/parties.html>
- Vignali, C. & Curland, S. (2008) Liquid Applepie: Market Entry Strategy for a New Lifestyle Drink, *Journal of Food Products Marketing*, 14 (2). pp. 3-15.

- Wagner, J. (2007), Exports and productivity: A survey of the evidence from firm level data, *The World Economy*, 30(1), pp.60-82 Edited from Sun, P., and Heshmati, A. (2010), *International Trade and its Effects on Economic Growth in China*, Downloaded on March 29th from <<http://ftp.iza.org/dp5151.pdf>>
- Wesson, T., & De Figueiredo, J. N. (2001), The importance of focus to market entrants A study of microbrewery performance, *Journal of Business Venturing*, 16(4), pp.377–403.
- Whitelock, J., & Jobber, D. (2004), An evaluation of external factors in the decision of UK industrial firms to enter a new non-domestic market: An explanatory study, *European Journal of Marketing*, 38(11/12), pp. 1437–1455.
- Williamson, O. E. (1985), *The Economic Institutions of Capitalization*, The Free Press, New York.
- Wind, Y., & Perlmutter, H., (1977), On the identification of frontier issues in multinational marketing, *Columbia Journal of World Business* 12 (4), pp. 131–139.
- Wind, Y., & Perlmutter, H., (1977), On the identification of frontier issues in multinational marketing, *Columbia Journal of World Business* 12 (4), pp. 131–139 Edited from Anderson, E., & Gatignon, H., (1986), Modes of entry: a transactions cost analysis and propositions, *Journal of International Business Studies* 17 (3), pp. 1–26.
- World Population Review (2014), *Austria Population 2014*, Downloaded on September 9th, 2014 from <<http://worldpopulationreview.com/countries/austria-population/>>
- Zhao, X. (2005), *Modeling Market Entry Mode Choice: the Case of German Firms in China*, Fakultät für Wirtschaftswissenschaften, Universität Bielefeld.
- Zhao, X., & Decker, R. (2004), *Choice of Foreign Market Entry Mode - Cognitions from Empirical and Theoretical Studies* (Diskussionspapier - Fakultät für Wirtschaftswissenschaften, Universität Bielefeld, 512), Bielefeld: Universität Bielefeld

# CV

## Nelofar Yeasmin

Wolfgang-Schmälzl-Gasse 5/16

1020, Vienna, Austria

**E-mail:** tisi\_ju@yahoo.com

**Contact No.:** +436763426008

**Skype:** nelofar.yeasmin

### Personal Details

---

**Date of Birth:** 7<sup>th</sup> July 1988

**Nationality:** Bangladeshi

### Academic Qualifications

---

| Certificate/Degree                                   | Concentration/Group  | Year of Passing         | Institution   |
|--|--|-------------------------|---|
| <b>Master of Science</b>                             | International Business Administration<br>(International Marketing) | 2011WS<br>-<br>Continue | <b>University of Vienna, Austria</b>  |
| <b>BBA<br/>(Bachelor of Business Administration)</b> | Marketing & Finance  | 2011                    | Institute of Business Administration-<br><b>Jahangirnagar University, Dhaka, Bangladesh</b> |

### Computer Skill

---

- Windows operating system
- Microsoft Word, Excel, Power Point
- SPSS software (Statistics)
- Internet and email

### Language Proficiency

---

- **German:** Good in speaking, writing, reading and understanding. (ÖSD Mittelstufe B2: 77%)
- **English:** Excellent in speaking, writing, reading and understanding. (IELTS Band score: 7)
- **Bengali:** Excellent in speaking, writing, reading and understanding. (Mother tongue)
- **Hindi:** Good in speaking and understanding.

### Professional Experience

---

- Working at NXP Semiconductors Hungary Ltd. as Customer Service Representative Trainee from 17<sup>th</sup> February 2015.
- Worked at Martina Jansky GMBH, Vienna, Austria from 22 September 2013 to 15<sup>th</sup> February 2015.
- Worked at a local Bank of Bangladesh (Southeast Bank Limited) as an intern from February 2011 to April 2011.

## Research Experience

---

- Research on “Dining Ware & Dining Cutlery for Babies”- product test for 6 to 7 years old children with MAM Babyartikel GesmbH in 2013.
- Research on “Vertical Greening: Product Awareness & Purchasing Criteria” with Florawall GmbH in 2013.
- Research on “Regret in Local versus Global Brand Purchase Occasions” in 2013.
- Seminar paper on “Factors Influencing Perceived Brand Globalness” in 2013.

## Achievement

---

- Winner at Country Manager Competition in a team, 2012.
- Fully funded Erasmus Mundus Europe Asia (EMEA) Scholarship 2011 for Master Degree at University of Vienna.
- Board scholarship (Dhaka, Bangladesh) for excellent result in SSC (Secondary School Certificate) & HSC (Higher Secondary Certificate) exam- 2004 & 2006.

## References

---

### **Ao. Univ.-Prof. Mag. Dr. Josef Windsperger**

Associate Professor  
Organization and Management  
Department of Management  
Faculty of Business, Economics and Statistics  
University of Vienna  
Oskar-Morgenstern-Platz 1  
A-1090 Vienna  
Austria  
Phone: 00431-427738180  
Fax: 00431-427738174  
E-mail: josef.windsperger@univie.ac.at  
Website: <http://im.univie.ac.at>

### **Maria Streb**

Manager  
Martina Jansky GMBH  
Richard-Strauss-Strasse 2  
A-1230 Vienna  
Austria  
Phone: +43 (664) 864 89 78  
Email: maria.gassauer@gmail.com