

Going Global

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Thesis: *What kind of international marketing strategy will be most successful for a company's product on a foreign market?*

Research Proposal



"I would like to thank my supervisor Nel Hofstra for guiding me into the right direction, without her strict supervision, fast feedback and support this thesis would have never been completed successfully and on time".

Alen Mujagic



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Introduction.

In the world we live in, the amount of inhabitants is growing every day.

It is becoming increasingly important for consumers to distinguish themselves from other consumers. Everybody wants to be unique in his or her way and for that we are willing to pay a unique price. When I enter a store I often ask myself the question, what is the difference between a pair of shoes and a pair of Nike shoes? What is the difference between a car and a BMW? Is it just the price or the quality?

This is the point where marketing comes in. The image you have of a product could have been created by a lot of things your friends, family, culture or your nationality but an important role in all of this is that usually the marketer decides how people feel or think about a certain product. Marketers try to make a product successful by creating the perfect image for that product which will give that product the preference above their competitors.

Marketing is everywhere, in your living room, in the bus, at the university or even in the shower. People and Organizations engage in a large number of marketing activities because they realize that if they want to "survive", good marketing is a crucial ingredient for success.

There are a lot of reasons why I believe marketing is an art but also a science. It is difficult to achieve an excellent and effective marketing strategy, you need to have a broad knowledge about the theory but you also need to be creative in order to be successful. The financial success of a company often depends on the marketing ability of the company. A company can have a great finance, accounting, production or transport department but if there is not sufficient demand for a product there will be no profit.

What is a precise formulation of marketing? During my first marketing lesson I read that "Marketing deals with identifying and meeting human and social needs" (Philip & Kevin , 2006, p. 41).

This is a clear and short description. Marketing has the same meaning in every country but the way it is executed is almost always different. Every nation or country has it's own culture, language, religion, values, laws etc. Therefore it is very important to adapt a firms marketing strategy to the country, which will be expanded to, and to keep every aspect in



mind when introducing the product on the market. A lot of big companies are very successful in international marketing; a couple of examples are Proctor & Gamble, Unilever, Bose and Audi. In my thesis I would like to focus on a much smaller company and the challenges they will face and also show which marketing strategy is the best to follow in order to achieve success.

Before reading the following research proposal, the reader should keep in mind that this is not a Business plan for a company. It is a literature study on International Marketing where a Framework will be created, which can be used by all types of companies to test whether to expand abroad or not. The point of this framework is to make the decision process much faster and much more efficient, because a company faces a lot of challenges and problems while making this decision. Cedevita will be used to demonstrate how a company can test itself when deciding to expand abroad.

Problem statement.

International Marketing is of increasing importance for almost every company. The reason for this is because all the borders are vanishing bit by bit. This of course benefits the international trade but also increases the competition on the markets. If a company is not innovating and moving forward the threat is created that another company possible from another country will steal your customers away. Therefore expansion to global markets is very profitable for companies.

Every consumer wants his or her favorite products to be available everywhere in the world. If a product is not present in a certain country, the chance is little this will not be noticed. And as stated before consumers like to express their individual lifestyle by the products they buy and will therefore not be satisfied if a product is missing.

Globalization has stimulated a lot of companies to expand to foreign countries because there are a lot of benefits for expansion but the question is are companies actually ready, well informed and prepared enough to make this huge step. There are a lot of behavioral differences, which should be kept in mind. Usually the company faces the challenge of changing and adapting certain aspects of their company and products in order to successfully expand to a foreign county.



The problem is how can a company use its own business culture and bring it to an entirely new market but within their, own business concept and to do this as efficient as possible. To they adjust the taste or packaging, expand their vision through the entire world, launch with a different concept?

Research Question.

In order to finish this research the following research question needs to be answered:

What kind of international marketing strategy will be most successful for introducing a company's product on a foreign market?

The following sub questions will help answer the main research question

- What are the possible strategies for expanding to foreign markets?
- What are the advantages of expanding internationally?
- What are the disadvantages/risks of expanding internationally?
- Which differences in consumer behavior between countries should, always be considered when expanding to foreign markets?
- What are the rules and regulations that should be taken into account for the Netherlands?
- What kind of challenges can Cedevita expect if they decide to expand?

Scientific and social relevance of the subject.

Scientific.

This research will provide a simple yet efficient framework, which can be used to value international expansion in to other countries. The theoretical information provided in this paper will be based upon multiple information sources, which will make it more confidential. This paper will specifically focus on the challenges that firms are going to face when expanding abroad. Therefore it will give a precise formulation of the possible strategies companies can use and in this case Cedevita can use.

Because of the increasing trend of globalization and the constant changes in the worlds markets, the more recent a study is the more it will add value to the field of study.



Social.

Today's consumers want to have their favorite products everywhere at anytime. Marketing influences the social behavior of a lot of people. The goods people buy nowadays express the personnel preferences of these individuals and therefore it is important that these products are available at all times. The use of more favored and more expensive products leads to an increasing utility, which benefits the social welfare in a country. This research will also make it more efficient for companies to expand to foreign markets, therefore stimulating international export of products, which will lead to more satisfied and happier customers around the globe.

Company.

Finally this paper is also relevant for Cedevita and for other companies, which are willing to expand to foreign markets. This paper will help Cedevita to enter the Dutch market as successfully as possible and will help other companies with valuable methods and information, which they can use if they want to decide whether to expand globally or not.

Structure of the paper.

This paper will first cover multiple aspects of international expansion and the challenges facing globalization (different markets, consumers etc.). It will provide a summary on how to overcome the related problems with expansion after the theoretical data is analyzed. The company and the product will be introduced because it is relatively unknown in this part of Europe. The Dutch market will be analyzed because this is of crucial importance on making a final decision whether to expand or not. In the last part of the thesis all the findings will be discussed and the limitations and recommendations will be considered. Finally, the conclusion will be the last part and will end the thesis.

Purpose of the research.

In the end of this research the objective is to clearly show what the reasons are for a company to expand internationally, show the benefits and risk of expanding to new markets and to explain the possible international marketing strategies, which can be used by a company. The aim of this research is to create a strategic framework, which will show how in this case Cedevita but also other companies can enter a foreign market in the best-suited way.



Theoretical Framework

Advantages and disadvantages

In the following part of the thesis a theoretical base will be formed on the subject. The subject of importance will first be analyzed after this is done possible solutions on the problems will be given. The information in this thesis will be based on multiple information sources, to create a complete and reliable concept.

Before starting the thesis a good understanding of what International Marketing actually is, is necessary. A precise formulation of International marketing is "*International marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations*" (Michael & A. Ronkainen, 2007, p. 4).

International marketing is actually the same as traditional marketing, the difference is that international marketing handles "exchanges" between borders and not only on the domestic market.

"A billion-dollar brand in less than 15 years, Red Bull has gained 70% of the worldwide energy drink market by skillfully connecting with global youth. Founded in Austria by Dietrich Mateschitz, Red Bull was introduced into its first foreign market, Hungary, in 1992, and is now sold in over 100 countries" (Philip & Kevin , 2006, p. 668).

In order to achieve this kind of success one must fully understand which possible international marketing strategy is the best to use. But before a company can make this decision, it first has to evaluate whether to go abroad or not. The company has to be fully aware of the advantages and disadvantages it will be facing. A lot of companies will prefer to stay on the domestic market because it is simply safer. The employees do not have to learn new languages, laws or regulations, come up with new capital that will finance the expansion, redesign their products or face uncertainties in new markets.

Apart from these challenges, there are also a lot of advantages. A list of advantages is set up to show why it could be beneficial for a company to expand.



- In order to achieve economies of scale a company needs to increase their amount of customers and their production level. Expanding to foreign markets is a good solution.
- In order to become more independent from one market a possibility is to spread the customer base over a larger amount of markets.
- The customers in the companies own domestic market travel abroad and therefore require the products internationally.
- Foreign markets can generate bigger sales numbers and a higher profit than the markets on which the company is currently active.
- Every company, in any country can be a possible competitor and could therefore try to invade the domestic market of a company. In order to compensate the loss of customers in the domestic market a company can choose to fight back and expand abroad.
- When expanding to more countries, a company can learn a lot by the experience and therefore even improve their, own marketing strategy on the domestic market.
- Expanding abroad also gives a company more information/knowledge about cultural and social differences, which the company can use, to make their products or services even more attractive to possible customers (Philip & Kevin , 2006, pp. 668 - 674).

It is clear why firms benefit from globalization of markets, but consumers benefit from globalization as well. Consumers will have much more variety of products to choose from when entering a store and because of the increased competition on the market; the price competition will increase as well, therefore providing the consumers with cheaper products. Innovation is also often a result of increased competition in order to stay ahead of your competitor. The decrease in price, the wide variety of products and new innovations all contribute to a better quality of live. The only downside for the customer could be that unknown brands, that are from foreign markets could have a worse quality without the consumer even knowing this. What could mean that consumers pay high prices for products, which do not comply with all the quality standards.

For a company international expansion can often bring along a lot of difficulties and challenges. The most common problems that can occur are listed below.

- Before the entire process of expansion even starts, finding good investors or gathering enough capital is necessary. This could be a big issue because the shareholders or bank must be convinced of the success of the international concept.



- When entering a new market, a company faces new customers as well. If a company fails to understand the preferences of these consumers, they have the risk that their product will not be attractive enough and lose customers to the competitors. A good example are advertisement campaigns, success in one country does not necessarily mean that success is guaranteed in another country.
- When a company expands to a foreign country it always has to take into account all the laws and regulation if the companies neglects (a couple of) new unknown regulations a lot of unexpected cost could occur or maybe even lead a huge financial loss, which will force the company to stop the expansion.
- A crucial element what could decide whether the company will succeed abroad or not, are the employees. If the managers lack the amount of knowledge or international experience, the expansion could fail.
- Every country has its own business culture, if the foreign company fails to understand this culture, working together with the domestic companies will be very difficult and unsuccessful.
- The political and economic environment in countries that are unstable for example Egypt could change rapidly and therefore harm the expansion.
- Finally a countries currency could drop or rise suddenly, which could bring forward extra costs. This problem does not count for European companies that expand within the European union, because of the euro
(Philip & Kevin , 2006, pp. 668 - 674).

How and which markets to enter.

Ayal and Zif argue that a company should enter fewer countries when:

- *Market entry and market control costs are high*
- *Product and communication adaption costs are high*
- *Population and income size and growth are high in the initial countries chosen*
- *Dominant foreign countries can establish high barriers to entry*

(Philip & Kevin , 2006, p. 670).



In the book marketing management of Kotler and Keller 2 approaches are mentioned. The first one is the “Waterfall approach” in this approach foreign markets are entered sequentially; followed by one another. The reason for this is to avoid the problems which can occur given by Ayal and Zif. The second approach is the “ Sprinkler method” in this approach all the countries are entered at once. This approach is preferred when for example the first-movers advantage is of crucial importance. The costs for this second approach are often much higher and it is difficult to develop so much different marketing plans at once for one company (Philip & Kevin , 2006).

When a company has decided to choose a specific country, it has a couple of strategies it can use to enter the market.



(Philip & Kevin , 2006, pp. 674 - 677).

- Indirect export; when a company chooses for indirect export it works together with independent intermediaries. Basically, companies that guide/help the process by receiving a compensation for their services. This means less risk and a smaller financial investment for the domestic company.
- Direct export; is the opposite of indirect export. A company chooses to export their product by themselves instead of involving a second party. The risks are higher of course but the potential profits as well.
- Licensing; the exporting company issues a license to a second company. The exporting company therefore receives a fee in return for the use of their product or brand.
- Joint ventures; a new company created by 2 different companies in which they share the ownership and control.
- Direct investment; in this last strategy the exporting company has full control over every aspect of the expansion. Usually, this strategy is used by larger firms instead of smaller ones because they have access to more recourses.



The decision on which method to choose also depends on the product/market mix, which is given by Paul Burns in his book Corporate Entrepreneurship.



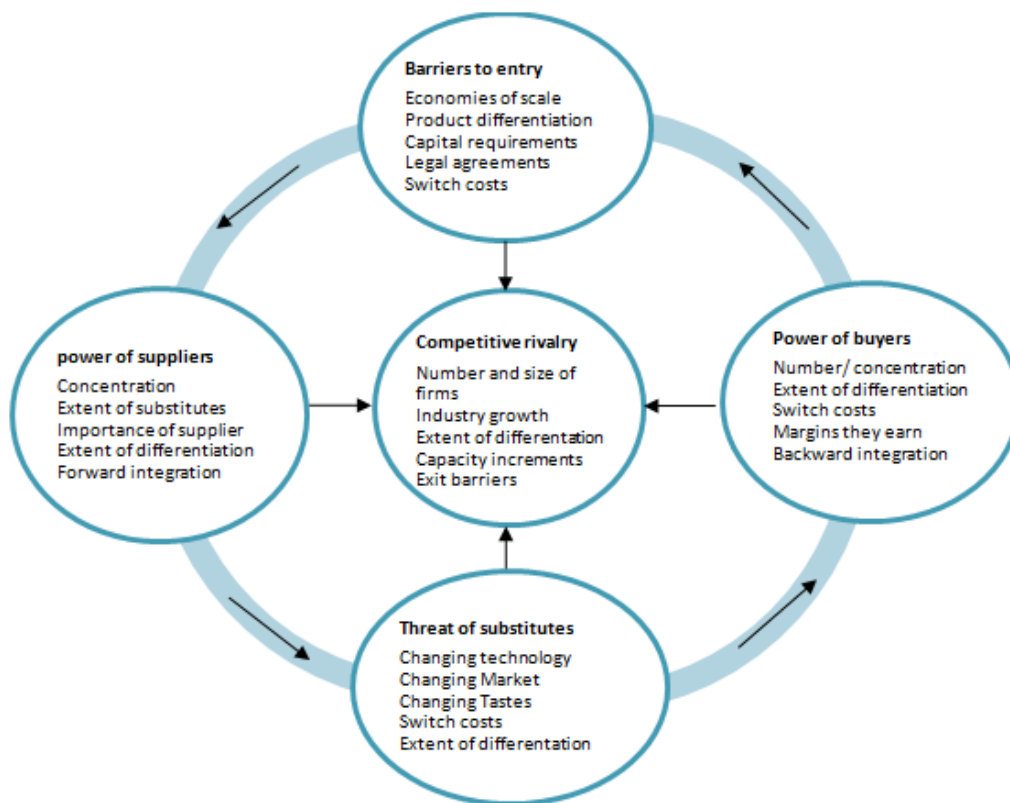
Product/market matrix.

(Burns, 2008, pp. 253-264).

In this research the focus is on the market development strategy. Which is the entering of new markets in new geographical areas with existing products or services.

Michael Porter has created a useful structural analysis of industries, which he claims goes some way towards explaining the profitability of firms within it. It is called Porter's five forces (Burns, 2008, p. 256).





(Burns, 2008, p. 257).

Porter already indicates a lot of factors, which are crucial for a company success also when expanding abroad. Overlooking certain parts of this analysis could be harmful.

Another important aspect of expanding to new markets is the difference in consumer behavior and culture. A good question for Marketers to ask themselves is actually; What is bigger, the differences or equalities between consumers of different countries and cultures? There are 3 things that help answer this question.

- Cross cultural analysis: comparison of equalities and differences in behavioral and physical issues within cultures.
- Cultural empathy: refers to the possibility of inner logic and coherence of other ways of life to understand and refrain from judging other value systems.
- Ethnographics: the subtle way to analyze how buyers and sellers interact in the market and it may be useful in the negotiation process

(D. Blackwell, F. Engel, & W. Miniard, 2005, pp. 22-40).



Hofstede has identified four cultural dimensions that can differentiate countries.

- Individualism vs. Collectivism

In collectivist countries such as Japan, the self-worth of an individual is rooted more in the social system than in individual achievement.

- High vs. Low power distance

High power distance cultures tend to be less equal in social classes.

- Masculine vs. feminine

Shows how much the culture is dominated by assertive versus nurturing females.

- Weak vs. strong uncertainty avoidance

Shows how risk tolerant or risk averse people are

(Philip & Kevin , 2006, p. 677).

These cultural dimensions are important for a company because it shows which product features, potential customers might value the most and how to approach these consumers in the best possible way. The following features should be checked whether to check if a company has not overlooked something, in order to avoid a marketing mistake.

Brand name	Labeling	Packaging	Colors	Materials	Pricing	Advertisement	Sales promotion
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Finally, when entering a market the current situation is of vital importance. But, what about future developments in the environment, that might affect the business. With the use of a SLEPT analysis one can check the aspects, which are important.

- SOCIAL; social changes such as ageing population, 24 hours shopping, increasing crime, increasing participation in higher education, changing family structure.
- LEGAL; changes in patent laws, hygiene regulations, employment laws and health and safety regulations.
- ECONOMIC: changing currencies, inflation or interest rates and employment expectations.
- POLITICAL; change of government through elections, change in merger and take-over policy, new or changed taxes and possible political initiatives.
- TECHNOLOGICAL; developments in Internet, computer and chip technology, increasing use of cell-phones etc

(Burns, 2008, pp. 209-210).



Successful and unsuccessful companies.

In order to show that a company should be fully prepared when entering a foreign market, a couple of examples will be given of what could go wrong. Although a lot of people might think that these mistakes are almost impossible to make, they often occur.

Sometimes little mistakes harm a company's image very badly causing the company so much bad PR that it is impossible to be successful anymore. Small companies do not only make these mistakes but also large multinationals. A couple of examples, the first one has to do with a mistake in language, the second with a regions welfare or educational system and the last one with not taking future developments into account;

- When Pepsi wanted to expand to the Chinese market, they decided to use their successful slogan "come alive with the Pepsi generation" because it was so well known in the United States and in Europe. But when the company launched this well known ad campaign in China, they found out that the translation in Chinese means "Pepsi brings your ancestors back from the death". Which was not appreciated in China because it offended their culture and heritage.

- When Gerber a well-known baby food producer started to sell their products on the African market (especially the developing countries), they decided they would keep the original package as in the domestic market. Therefore a picture of a cute little white baby was portrayed on all the packages. But what Gerber did not take into account was that on almost all the packages of the products, sold in these countries had a picture of the content on it. The reason for this was because a lot of people could not read and therefore looked at the pictures to see what was in the product. You can imagine that the baby food of Gerber was not a success.

-When TOYS R US wanted to expand to Australia, they were sure it would be a success because of their current strong position in the toys world. TOYS R US decided to use the same marketing model as in their domestic market and focused on traditional toys like dolls, board games, stuffed animals etc. They invested around 200 million dollars in the expansion and aimed for a market share of 85%. The problem with their marketing model was that it did not focus on the electronic toys and this was becoming a big hype and therefore an increasing amount of children changed to electronic toys.

Not only did TOYS R US lose a huge part of their investment but they also did not reach the aimed market share and what was even worse is that their main competitor was successful with a marketing strategy that was also focused on electronic games and gained a huge market share at the expense of TOYS R US.



There are also a lot of companies that are very successful in expanding their business to foreign markets. The reason why they are so successful is because they succeed to communicate their marketing concept, which is successful in their domestic market to the new foreign market.

- A good example of a company that is very good in international expansion is Red Bull. Dietrich Mateschitz founded the company in 1984 and started to sell Red Bull on the Austrian market. Now in 2011 Red Bull sells its products in more than 160 countries, sells more than 4 billion drinks a year and employs around 6.900 people. Red Bull has succeeded in this global expansion with using little traditional advertising support beyond animated television commercials with the slogan "Red Bull gives you wings". The company has been successful in implementing their " seeding program" all over the world. The company actually micro targets in shops, first they introduce Red Bull in clubs, bars and stores, gradually moving to convenience stores and restaurants and finally it enters supermarkets. The company also targets opinion leaders by making Red Bull available at sport competitions, exclusive after parties and award shows. Red Bull also builds the image of being a cool brand by sponsoring all sorts of extreme sports like formula 1 racing, Red Bull air racing, skateboarding and motor cross freestyle events (Philip & Kevin , 2006, p. 667).

Basically there are putting their name on everything for which extreme concentration is required so that the customers knows that Red Bull gives you wings or in other words gives you the extra energy you need whether it is for studying, sports or work. They communicate this message in every country in the same way because they realize that it does not matter whether a person is Chinese, European or American everybody wants to perform to their fullest potential. This is a good example of a company that shows it is not always necessary to change your marketing strategy while expanding but this does not mean that there was not a extensive research of the foreign markets before entering.

Another company that is very successful in international expansion is Kentucky Fried Chicken (KFC), with more than 12 million customers in 109 countries and more than 20.000 KFC restaurants in the world. The answer to the question, how did KFC achieve this amount of customers in so many countries is actually simple. With the use of their existing marketing concept they entered new countries but they always adapted the



products they sold in their restaurants to the demands of the customers in that market. For example in the United States you can buy the famous Kentucky Grilled chicken everywhere but you will not find a salmon sandwich on the menu. In Japan however the salmon sandwich is a big success for KFC because the company focused on the fact that Japanese people also love to eat fish. KFC does not only alter the menu for different markets, if necessary the entire brand of KFC can be marketed in a new way (Brands, 2011, p. About us).

When McDonalds expanded in to China they had trouble making profits, the reason for this was because they introduced its brand name as a fast food restaurant and of course McDonalds is a fast food chain but the marketers did not consider the fact that Chinese people value the quality and taste of their food very much and that the name fast food restaurant would be very harmful for their image because it would be associated with unhealthy food that is just not worth the money. KFC realized in order to overcome this problem they had to focus on the quality of their chicken and on the care with which it was made. When entering the market they focused on the fact that the chicken was always freshly prepared and made by an original recipe in order to achieve maximum quality and taste. The marketing campaign was a huge success and KFC dominates the Chinese fast food market. Together with this marketing strategy and the continuous launch of new products that fit the taste preferences of the Chinese customers, KFC has managed to stay ahead of McDonalds.

There will always be companies that will fail when expanding to foreign markets and companies that will be successful. The most important thing is that marketers learn from these mistakes and successes. The examples given in this paper are there to show just a couple of the potential threats and possibilities that face companies when expanding to foreign markets. The examples that are used in this paper illustrate that every little thing should be taken into account when making a decision and nothing should be rushed.

After the thorough literature study on the topic all the data will be summarized and a framework will be created which will make it much easier and efficient for companies to expand to foreign markets. This process in the current state is actually very time consuming and costs a lot of money. Cedevita will be tested on the new framework to actually show that it is more efficient and less time consuming.



In the next part of the literature study a summary will be given that will show what the possible factors are that decide whether a company will be successful or fail in the foreign market and what aspects are really important to focus on.

Factors for success and failure of international expansion.

- Brand image	- Marketing strategy
- Culture	- Language
- Packaging	- Laws and Politics
- Regulations	- Educational progress
- Aesthetics	- Religion
- Values	- Technological progress
- Preparation	- Market changes
- Hofstede's dimensions	- Competitors
- Climate differences	- Protectionism
- Social organization	- Business culture
- Potential of the product	- Novelty of product
- Need fulfillment of the product	- Population composition
- Production capacity	- Total costs
- Profitability	- Finding Capital / Investors

All of the 28 points mentioned above are of importance for a company. Of course it also depends in which phase of the expansion process a company is. The next part of the literature study will focus on the framework that will be created based on the information gathered during the research. The goal is to create a precise and efficient test that a company can use to check whether it is fully prepared and ready for an expansion into foreign markets. The test will also focus on important aspects of expansion that cannot be forgotten, in order to prevent marketing mistakes that were shown in the examples of the literature study.



Strategic Framework

The strategic framework will consist out of a number of phases and each time a company passes one step it can continue to the next one. If a company fails to pass one of the steps it should reconsider its plans for expansions. The framework can be used by a lot of companies that sell their products on varying markets. The strategic framework is based upon the literature study in order to create a test that will deal with every challenge facing the company.

Step 1.

Before a company actually starts with its plans to expand abroad a lot of preparation is needed in advance that will be of crucial importance if a company wants to succeed.

The main questions that should be asked in this first step are;

1. Is the company actually ready to expand abroad and what is the reason for this international expansion?
2. What are the advantages and disadvantages for the company?
3. Are there enough financial recourses available to finance the expansion?
4. Does the company have the necessary means to expand; knowledge, employees, production capacity?

When the company manages to answer these questions successfully it can continue to the second part.

Step 2.

When a company has decided whether it is capable or not to expand internationally, the following question is; which countries are interesting enough to expand to?

1. Why is this a good country to expand to?
2. How is the economic, political and cultural environment in this country?
3. What are the future developments for this market?
4. Is this market profitable enough to cover all the investments made by the company?
5. Who are the main competitors on this market?
6. What are the barriers for entry to this market, in other words how high is the protectionism of that country for their own market?



If a company decides to expand to more than 1 market at the same time all these questions should be applied to each market. A company should consider the fact that focusing on more than 1 market often brings more challenges with itself.

A list of possible reasons is given to make it clearer.

- Higher investments
- Higher production capacity
- More experienced personnel is needed
- Dealing with more types of cultures and markets at the same time.
- Deeper commitment and fewer markets usually lead to better outcomes.

An expansion to several countries at the same time should only be considered if first mover advantages are of crucial importance and if it brings more (financial) benefits for example if it can reduce costs by economies of scale.

When step 1 and 2 are completed the company can move forward to the next step.

Step 3.

Before making any decision on how to enter a market a firm should first set up a strategy. The aim and goals of the firm are very important when developing a fitting strategy; the following goals should be taken into account:

- Profit levels
- Desired market share
- Brand positioning
- Price

The company also has to evaluate the size and structure of the foreign market, the competitors and the risk of entering the market. The strategy plan made in this third step will also play a huge roll in the decision in step 4.



Step 4.

When a company has decided to which market it wants to expand, it is now facing the question, how are we going to enter the market? The answer to this question depends on a couple of factors.

- The financial strength of a company
- Barriers to enter the countries market
- Available knowledge and expertise
- Level of commitment

The following options are available for a company when expanding to foreign markets:

- Direct investment
- Direct export
- Indirect export
- Joint Ventures
- Licensing

Every option has its advantages and disadvantages. With a direct investment a company has the most control over the entire process but also the highest risk but when choosing for indirect export a company has less risk but also less control and profit.

If a company has decided to choose for indirect or direct exporting, a joint venture or licensing the amount of knowledge on the culture of the new market is minimal because there will be a second company with the required knowledge and expertise.

Step 5.

If a company has decided for a direct investment a thorough culture and market analysis is required. This analysis is required in order to prevent marketing mistakes as in the examples given during the literature study. This analysis will focus on culture, language differences, educational level, laws and regulations, political situation, values, climate differences, Hofstede's dimensions and a SLEPT analysis.

The analysis will show whether a firm will have to adapt certain aspects of their products, advertisement or business in order to prevent mistakes in their marketing.



Cedevita d.o.o

In the next part the company will be introduced and an analysis of the Dutch market will be given in preparation of the strategic framework which will focus on the Dutch economy, consumer and culture.

Company Profile.

Although Cedevita is not well known outside of the countries of former Yugoslavia (Croatia, Serbia, Bosnia, Slovenia, Albania and Macedonia) in these countries they are a well known and strong brand.

Cedevita d.o.o is a Croatian company that produces a wide range of products, from teas, instant drinks, and dietetic products. The owner of Cedevita was a pharmaceutical company with the name Pliva d.d. but in 2001 Cedevita was bought by the Atlantic Group, Consumer Healthcare Division. The first factory of Cedevita is in the capital of Croatia, Zagreb in the neighborhood Borongai, which is not that far away from where I am from. The Atlantic group states that Cedevita is their best selling brand, accounting for 24% of the total sales.

The total turnover of the Atlantic group in 2010 was 2.3 billion Kuna's, which in Euros is 319.444.444. (With a currency of 1 Euro = 7.20 Kuna's).

The product line of Cedevita consists out of the following products.

- Cedevita GO (instant drink) with 9 vitamins
- Cedevita (vitamin enriched candies) they produce the candies under the names: Cedevita, Rondo C, Peppermint and Vau vau.
- Teas (with numerous flavors)
- Dietetic products under the name Naturavita
- Pharmaceutical products such as Rondosept and Rehidromiks

The 5 types of products are all produced by Cedevita d.o.o
(Cedevita, about us, 2011).



Cedevita GO.

NEW! CEDEVITA GO



An innovative solution!!!

Cedevita GO! is a refreshing multi-vitamin drink in innovative package, adapted to everyone who lives on the go and actively enjoys their free time.

Cedevita GO! sastoji se od čepa u kojem se nalaze Cedevita granule i bočice s vodom. Priprema Cedevite GO! je brza i lagana.



3 simple steps to perfect refreshment!

1 Open the cap. Add Cedevita to water to suit your taste.

2 Close the cap and shake the bottle as desired. Your Cedevita GO! is ready!

3 Enjoy the unforgettable taste of your favorite multi-vitamin drink.

Cedevita is for everyone who wants a real vitamin refreshment while on the go and outside. For those who live a modern, active and hectic lifestyle and spend greater part of the day outside.

Ideal moments for Cedevita GO!:

- during school recesses, at university, at work;
- during play;
- while driving or riding;
- on a picnic;
- exhausted from shopping, and at any other time when the consumer wants real multi-vitamin refreshment.

(Cedevita, New Cedevita GO, 2011).



Looking at the advertisement on the previous page you can see that Cedevida GO is an innovative drink, which is also very healthy. There are 2 flavors orange and lemon and both have a total of 9 vitamins, which fulfill the need of over 50% of a person's necessary vitamins per day. The following image shows an image of both tastes.

Cedevida GO contains the following vitamins:



(Cedevida, New Cedevida GO, 2011).



Dutch Market.

General information.

In March 2010 The Netherlands had a total of 16.574.989 inhabitants on a surface of approximately 41.500 km², this means that there is a high population density of 401,4 p/km² (CBS, 2011). The Dutch are well known for their windmills, international trade, Schiphol, cheese, clogs, dikes, bicycles, tulips, harbor and also for their social tolerance (Dutchmi, 2011). The Netherlands can be seen as one of the countries with the most diversity of cultures. In 2009 the CBS posted figures that 81,4% of the inhabitants were healthy or very healthy. 23,7% is younger than 20 years, 25,3% is between 20 and 40 years, 35,7% is between 40 and 65 years, and 3,9% is older than 80 years. The average age in 2011 was 40,1 years (CBS, 2011). Amsterdam is the capital of Holland. The language spoken is Dutch although a lot of people are familiar with the English language. The city with the most inhabitants is Amsterdam with 742.884, followed by Rotterdam with 584.058 and Den Haag with 473.941 (Groningen, 1999).

Dutch Economy.

The Netherlands has a very open economy with an import value of around 91 million euros and an export value of 101 million euros, therefore the Netherlands is known worldwide as an international trade country. With a Economic growth of 3.5% in the first quarter of 2011 and an inflation of 2,1%, the Netherlands can be seen as one of the most prosperous economies of the world when looking at the GDP per capita and is the worlds 16th largest economy of the world, which is very impressive considering the small size. The national income in 2009 was around 556.518,0 million euros (CBS, 2011).

Dutch (Business) Culture.

According to Hofstede's dimensions, the Netherlands is a very individualistic society with a moderate urge for uncertainty avoidance. Due to the importance of the individual within the society, individual pride and respect are highly held values and degrading a person is not well received. Privacy is considered to be very important. The urge for uncertainty avoidance can explain the cultural tenancy to minimize or reduce the level of uncertainty by implementing a lot of rules, laws, policies and regulations. There is a low level of masculinity, which explains the low level of discrimination and differentiation between genders. Females are treated more equally to males in all aspects of society.

The absence of masculinity also means that Holland can be seen as a more open nurturing



society. There is no predominated religion in the Netherlands, the largest portion of the society identify themselves as atheists (39%), followed by Catholics (31%), Christians (21%) and Muslims (5%). The Power distance in the Netherlands compared to a lot of other countries is relatively low. The government applies a lot of taxes and regulations that ensure the more prosperous people pay more in order to care for the less prosperous therefore creating more equality. The fifth dimension of Hofstede is long vs. short term orientation. The Netherlands index scores for this dimension is 44, which is somewhere in the middle. This actually indicates that Dutch people do value their heritage, tradition, personal steadiness and face but also are persistent, have relationships by status, have thrift and a sense of shame (International, 2003). Because the Netherlands is in the middle of the 2 extremes, this shows that the Dutch are open for change because the long term traditions and values do not form any obstacles.

Dutch Consumers.

In general the Dutch consumer is very aware of what kind of products they buy and because of the welfare in the country they also have the money to buy more expensive healthy products. In May of 2006 the logo "Ik kies bewust" was introduced and it is a huge success. In order for a company to get such a logo on its products it needs to meet a lot of requirements, in order to reassure the customer that the product is good and healthy. Products that carry the "ik kies bewust" logo are often preferred above the normal products and this shows that the Dutch consumer values healthy food and drinks. This could be one of the reasons that the CBS claims that 81.4% of the Dutch population is healthy or very healthy.



(bewust, 2006)



Strategy of Cedevida entering the Dutch market.

In this part Cedevida will be applied to the strategic framework in order to show how a company can use the framework in order to prevent mistakes. The steps will be followed one by one and in the end the results will be given. The goal of applying Cedevida into the framework is to investigate as a researcher whether Cedevida will benefit from expanding abroad or not and if the framework makes this decision process more efficient.

Every step in this strategic framework is based upon the literature study. Every step consists out of a couple of questions and these questions were formed from information gathered from the literature study. The order of the 5 steps have been chosen to make a logical and efficient process that every company can use. When comparing the order of the steps and the literature study you can see an overlap. The reason for this was to make the thesis more easy to read and more logical. First we look at the reasons why to expand and the advantages and disadvantages it brings along. Second, a company has to know how to expand and which aspects to analyze before expanding and choosing a successful marketing strategy.

Strategic Framework.

Step 1.

In the first phase of the process a company needs to know whether it is able to expand or not. The first step consists out of 4 questions; the company should be able to answer these questions positively in order to advance to the second step. We will cover each question before continuing to the next phase.

- *1. Is the company actually ready to expand abroad and what is the reason for this International expansion?*

In the current markets Cedevida is active (Croatia, Serbia, Bosnia, Slovenia, Albania and Macedonia) the research has shown that Cedevida has a strong brand image. Cedevida is part of the Atlantic group a company that is also known for their healthy products and medicines. Cedevida GO! Is very popular in these countries and covers a huge part of the market share of soft drinks. There are several reasons why Cedevida GO is so popular first



it contains a lot of vitamins, second it is always fresh by opening the cap and making the powder fall into the water and while shaking it you make the beverage yourself and third it can be consumed by all ages (section 3, page 21-23).

Considering the fact that Cedevida has reached its maximum market share in the current markets with sales increasing each year slightly it would be a good step to expand to a new market (Atlantic group, 2008). It would also be in line with the interview given by Emil Tedeschi, the owner of the Atlantic Group in 2009 on the national news channel of Croatia. Where he stated that the plan is to enter Western Europe in a couple of years. Expansion is necessary because growth on the current markets has reached a maximum and to increase the profitability of the company exploring new markets would be wise.

- 2. What are the advantages and disadvantages for the company?

If an expansion turns out to be a success the sales and profits of Cedevida will increase significantly. The Brand strength will also increase by an expansion making the company better known internationally. The risk in an eventual expansion is that a high investment is required especially when entering a big market and if the expansion fails this could also mean the downfall of the company.

- 3. *Are there enough financial resources available to finance the expansion?*

Considering the fact that Cedevida is part of a much bigger parent company the financial resources for an international expansion should be available. (Atlantic group, 2008)

- 4. *Does the company have the necessary means to expand; knowledge, employees and production capacity?*

Cedevida is active on multiple markets, which indicates they have the experience and expertise of expanding to foreign markets. Cedevida has a number of factories in various countries that could increase production to cope with the extra demand.



Step 2.

- *1. Why is this a good country to expand to?*

During the analysis of the Dutch market it has become clear that it is a highly potential market for Cedevida. The open economy, numerous cultures and economic welfare are all positive aspects (section 3, page 24-25). The following questions will explain it more thoroughly.

- *2. How is the economic, political and cultural environment in this country?*

The economic situation is considering the crisis and its neighbor countries quite well. The Netherlands is considered as the world's 16th largest economy and has an economic growth of 3.5% a year. The expansion to the Dutch market could lead to higher annual profits for Cedevida. The Dutch economy is considered to be an open economy with a lot of trade, which is positive for Cedevida. The political situation is also stable and is expected to stay stable for the upcoming years so there should be no problems concerning politics. The Netherlands is a country with a lot of different cultures and ethnic groups. This means that the Dutch are used to varying products from different countries. Which is also positive for Cedevida (section 3, page 24-25).

- *3. What are the future developments for this market?*

The soft drink market is a very competitive market with new beverages coming out every year. The strong point of Cedevida is that Cedevida GO is a very innovative drink and the company has a patent on the special cap on the bottle. Which means they will be able to differentiate itself from competitors. Consumers all over the world including the Netherlands are becoming increasingly aware of the quality and content of the products they are consuming, which is a very positive development for Cedevida in the future.



- 4. *Is the market profitable enough to cover all the investments made by Cedevita?*

The answer to this question will also depend on the strategy chosen by the company in the fourth step. But considering the analysis of the Dutch economy it is safe to say that it is a very potential market to enter the reasons for this are; it is not a huge market like Germany for example which means that the investments will not be that huge but it still is one of the most prosperous and open economies of Europe (section 3, page 24-25).

- 5. *Who are the main competitors on this market?*

Basically every vitamin drink can be considered as a threat but because of the unique formula and packaging of Cedevita GO there are no direct competitors because it is an innovative product. Cedevita will however have to take into account that copy cats and cheaper alternatives can be introduced in the following years if Cedevita GO appears to be a success.

- 6. *How high are the barriers of entry to this market?*

The Dutch economy is a very open economy which means that the entry barriers will not be that high and Cedevita GO is already sold in the European union this means it does not have to under go a lot of tests and get approval of the product before it can be made available on the market, which will save a lot of time and money.

Step 3.

In this third step the company has to develop a preliminary marketing strategy. Focusing on different aspects. The research has shown that the target market of Cedevita is very broad because the healthy product is attractive to all ages. From young children that need their daily vitamins in order to grow healthy to elderly people that want to stay healthy. This is a very strong attribute of Cedevita GO! The challenge will be to present the product to the consumers so that it will be attractive to everybody. When making an advertisement the focus should not only be on one group of consumers.

In the first year Cedevita will have to focus on developing a strong brand image because



they are a new and relatively unknown brand for the Dutch market. After this is done the company can start focusing on profit levels and desired market share. A good start is crucial to achieve a good image in the minds of the consumers. Once this is done people will be more willing to buy the product.

When deciding on what price Cedevita GO! will have to choose for their product it is wise to look at the price of competitors as well. But as stated before because of the quality Cedevita GO! provides, the amount of vitamins and the special system of the cap a slightly higher price can be asked. The company will have to explain the consumer of all the benefits it offers in order to justify why the product is more expensive.

Step 4.

In this fourth step the company has to decide how it wants to expand to the Dutch market. The literature study has shown that a direct investment could be the most profitable option but this is not the best option for Cedevita because a high knowledge of the Dutch market is required and the importance of good marketing is essential in the first year to present the brand. Licensing however to a domestic company would be a good option. The domestic company has the knowledge and marketing expertise that is required to sell the product on the Dutch market and with licensing Cedevita has the lowest risk but a significant increase of the sales and profit.

The markets where Cedevita is currently active are relatively small compared to the Netherlands. An expansion to the Dutch market would require a big investment and if the expansion would go wrong this could be the downfall of the company. Therefore the safest option is also licensing. The huge diversity of cultures on the Dutch market is something new to Cedevita because the amount of different cultures in Croatia is relatively small. This could mean that Cedevita is not yet capable of managing a marketing campaign that is attractive to so many different types of customers (section 2, page 9-10)



Step 5.

The fifth step is very important for companies who have chosen for a direct investment. But this fifth step can also be useful for companies that have decided to follow a different strategy because it gives a better understanding of the market.

- Language; The popular slogan for Cedevida GO in Croatia is “Okreni I kreni” which means “Twist and GO”. This slogan can be easily translated into the English language and used as a slogan on the Dutch market without any problems because a lot of Dutch people speak English and multinational companies often use the English language for their products and stores.
The packaging will have to be translated because it is necessary to have the content of the drink in Dutch.
- Culture; Because of the variety of cultures on the Dutch market it is difficult to make a marketing campaign. But this problem will not be a big issue for Cedevida since a second party that has the right knowledge will cover this.
- Educational level: The Netherlands has a very good educational system. This is positive for Cedevida because people will be more aware about the content of products and will be more critical. The high amount of vitamins and the fact that when a person drinks Cedevida, they get 50% of their daily needed vitamins are signs that are showing Cedevida GO could be a success. It is important to explain that Cedevida is a fast and delicious way to get your vitamins.
- Laws and Regulations: Cedevida is a product that is already sold on the European market and will therefore not have any trouble with getting approval for entering the Dutch market.
- Climate differences: There are no special weather conditions that should be considered.
- Future developments: An important development in the last couple of years is that consumers are becoming more aware of the content of their drinks. Cedevida will need to benefit of this development by focusing their marketing on the amount of vitamins Cedevida GO contains.

(section 2, page 12-13)



Conclusion

The final answer to the research question can be obtained by following the strategic framework developed in this thesis, which will answer this question for every company. The result of the strategic framework show that the best option for Cedevida GO is to license their product to a domestic company with the required knowledge and expertise to successfully advertise the product. The research has shown that this option also contains the least amount of risk but provides an increase in sales for the company.

When looking at potential competitors, Cedevida GO has an advantage because it can differentiate itself from the competitors because of the high amount of vitamins; the special cap that ensures the consumer their drink is fresh and the unique bottle shape.

Making a decision what kind of second party to choose from should be done wisely since this will be an important role in the success of the expansion. A company that is already familiar with the product and company is preferred so that the companies strength can be fully utilized when expanding internationally.

Every company can use this framework to expand abroad but a good image of the financial strength of the company is crucial in order to make good decisions. The decisions made in this research are based upon the available information sources.

Discussion and reflection.

In this part the results of the research will be discussed, the limitations of the research will be given and the recommendations for future studies.

Discussion.

The objective of this research was to clearly show what the reasons are for a company to expand abroad, to show the benefits and risk of expanding abroad and to give further information about the possible marketing strategies that a company can use.

After a thorough literature study a strategic framework would be created based upon the information gathered from the literature study and the analysis of the Dutch market.



Finally Cedevida is applied in the strategic framework to show how a company can use the framework and to show that the framework provides a simple yet efficient checklist in order to cover all the aspects that are of importance when expanding internationally.

During the literature study a couple of reasons for international expansion have been found. The possible reasons will be summarized in order to give a clear overview:

- A lot of companies expand abroad because they have almost reached a maximum market share in their domestic market and the only way to grow is through international expansion.
- If a company expands to a new market the production will increase therefore making it possible to benefit from economies of scale and lower the costs.
- When foreign competitors enter the domestic market of a company, that company can decide to cover the losses in market share by expanding to the market of the competitor.
- A successful international expansion leads to an increase of the financial strength of a company, which is often one of the main reasons for a company to expand.
- The risk in terms of sales will be reduced because a company will not be dependent on one market anymore.
- International expansion increases to knowledge and expertise of a company that can also be used on the domestic market to increase efficiency.
- The risk of losing customers can be reduced when expanding abroad the reason for this is because, when customers go on vacation they will not have to switch to other products from competitors and therefore you reduce the risk of losing current customers to competitors in your current market. This only applies if the products of the competitor are available on both markets.
- Finally the consumer also benefits from international expansion of economies because the consumer can choose from a wider variety of products and the increase in competition could also reduce the prices.

(section 2, page 7)



International expansion can also have adverse effects and an increase in risk:

- The company does not possess enough experienced managers with the required expertise to lead the expansion.
- The company lacks the amount of knowledge of the foreign market necessary to expand successfully. The possible aspects where the company lacks knowledge could be the consumer needs, laws and regulations, cultural differences, language differences and business culture of the foreign market.
- The preparation is very important if this is not done properly the expansion can go wrong. Meaning that the invested time and money will be lost. A good example is that companies can come along certain barriers to entry, which they did not take into account.
- Failure could lead to the downfall of a company because the financial debt cannot be covered.

(section 2, page 8)

When expanding abroad the company has to deal with so many challenges from politics to technological development. And while focusing on cultural differences a company has to keep in mind that this is not the only thing that causes changes in consumer behavior. In the course Consumer Behavior students are taught that psychology and sociology also play an important role in the differences between customers. Psychology, which can differ per person and sociology, which can be different in each social class. Another important aspect about consumer behavior is that it can be changed over time but a company must always reward the consumer for this and always respect the most important values in a culture. Hofstede's dimension can help a company to get a better image of the new customers but a company cannot only rely on these dimensions (section 2, page 13).

The questions how to enter a foreign market will mainly depend on the available knowledge a company has and the financial strength of a company. A large company will often choose for a direct investment because they will have the financial strength to higher the required personnel and will have maximum profit but small companies expanding to (bigger) foreign markets will usually not choose this option because the risk involved is too big. Therefore it will be more likely a smaller company chooses for Indirect or direct export, licensing or a joint venture. The expansion to new markets brings a lot of work



therefore it is better to focus on fewer markets at once in order to be successful. Expansion into multiple markets at once should only be considered if a first mover advantage is of great importance or a company possesses enough capital and knowledge to engage into this huge commitment (section 2, page 10)

Since Emile Tedeschi bought the company from Pliva it has grown. In sales, profit, size and amount of markets. The expansion to the Dutch market would be a great first step to enter the Western Europe market. And because a majority of the Dutch consumers are educated the awareness of the content of products is important a good example of this is the introduction of the “Ik kies bewust” website. If Cedevita manages to benefit from this fact the expansion can be very successful.

Recommendations.

The recommendations are based upon the output received from the application of Cedevita into the strategic framework.

The research has shown that an expansion to the Dutch market would be a good decision for Cedevita. Cedevita would benefit financially but would also learn a lot from the expansion because they would have access to a market that is far more developed than the Croatian market. They could eventually apply the obtained knowledge from the foreign market and apply it to the domestic market a good example could be to make the distribution more efficient.

The research has shown that licensing is the best option for Cedevita because it has a minimum of risk and an increase in profit. A second party that has a better understanding of the diverse Dutch market can advertise and promote Cedevita GO in the Netherlands. The best option would be to find a party that is already familiar with the product or company to fully benefit from the strengths of the company and product in order to get the best understanding of why the product is so successful on the domestic market and use this experience on the Dutch market. Another reason why licensing would be a good option is if the expansion would fail, the company would not be affected that much as when they would have chosen for a joint venture or direct investment. These last options would require a huge financial investment meaning that the failure of the expansion could also mean the downfall of the company.



The decision in which partner to choose is very important for Cedevita because they will do all the work within the country from distribution to marketing. If an adaption of the product is required to get the " ik kies bewust" logo on it than this is certainly recommended because the consumers can be sure that the drink really does contain all the stated vitamins, which means that the credibility of the product would increase and eventually sales (section 3, page 25). The reason for this is because during the research it has been shown that the Dutch consumers are very aware of the content of their products.

The packaging of the drink can remain the same because it is very colorful and attractive. A good thing that Cedevita could keep in mind is that if the expansion to the Dutch market is successful and entering the entire Benelux area is the next step. A wise thing would be to put a French translation on the packaging besides the Dutch and English because a relatively big part of the people in Belgium and Luxemburg speak French. This would save costs in a later phase.

Finally it can be said that an expansion to the Dutch market is a very smart step but the preparation is very important. And it is recommended that all the available options are double-checked before making a decision

Limitations.

This study has a couple of limitations. Because of the large amount of different cultures in the Netherlands it is difficult to draw a good image. Examining all the cultures is difficult and making a good strategy that will fit all the consumer needs is almost impossible. One can only try to satisfy as much as possible. The application of Cedevita into the strategic framework is a good way of showing the benefits of the framework for a company but one must have full knowledge of the financial strength of a company and the knowledge and expertise it possesses. This was very difficult to obtain therefore the results of the study are based upon the available information and could be missing important information from within the company that is not available to any outsiders. The outcomes of this study are based upon a literature study and a wrong interpretation of the literature could mean that the research leads to biased results.



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