

**Máté Kocsis**

**Market Survey for Business Expansion**

**Thesis**

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**ABSTRACT**

<b>CENTRIA UNIVERSITY OF APPLIED SCIENCES</b> Ylivieska	<b>Date</b> February 2016	<b>Author</b> Máté Kocsis
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<p>In order to find new customers abroad the company should analyze the market situation precisely in the desired market. This is necessary with a well-made market research, based on several survey methods. The answers collected by the survey should be analyzed and taken into consideration about the product and about the way of entry.</p> <p>The main aim of the thesis was to give help to a Hungarian company in its plans to expand the business and find customers abroad.</p>		
<b>Key words</b> Analysis, Expanding business, Finding New Customers, Market Research, Survey Analysis		

**ABSTRACT**  
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## **1 INTRODUCTION**

The thesis has been authorized by a Hungarian IT company. The name of the Company will not be published in the thesis due to business decisions but it will be referred as Company X. The beginning of the thesis is introducing the company and background of the study. Meanwhile the basic idea of the project will be introduced later. The questionnaire will be shown and analyzed after, so the company can use it to identify the need on the market. The help to analyze the risk of expanding, the writer of the thesis analyzed the questionnaire and collected several entry methods.

## **2 BACKGROUND AND OBJECTIVES**

Company X was established in 1996. The company makes software and web applications for governmental and for organizational projects. The company started to work on a project in 2014. This thesis is based on the project. Company X is working on a complex system, which main functions are data recording and data analysis, as well as the operation of a knowledge base. The system would help the domestic and foreign sports clubs, sports academies in organizing their daily operations and processes, and it would support the professional work of the management.

In a current globalizing environment, a company cannot be undoubtedly successful, if it stays just in the domestic market. As any IT organization, Company X. should expand and must be competent in international co-operation in the field of programming. Opening to a new market should not be taken as a risk but more like an opportunity. On behalf of the organization, Company X should find customers abroad. It is crucial for the company.

To recognize the needs of the new market and the risk of business expansion, the company should carry out a market research first. At the end of the research we must have sufficient amount of data provided to be able to analyze the situation to allow us to understand the needs of the new market and also to see the possibility of the failure in the new country. When we have analyzed the data and gathered enough information, we can start to build our strategy and introduce our ideas in the new market.

The objective of the thesis was to gather and analyze information about the market situation in the domestic and in the foreign market. The practical application of this thesis was to support the Hungarian Company with analyzing the outcome of the survey, making a conclusion and analyzing the market situation for them. The purpose of this thesis work was to investigate the potential customers in the desired market, just as well as what are the market requirements about the software.

## 2.1 Research Problems

Research problems of the thesis were:

1. Choosing the target audience according to the project.
2. Collecting and analyzing the answers.
3. Implement a PEST analysis. Will the market buy the software? What kind of features the product needs?
4. Examine market opportunity/sizing. How big is the market?

In a unified market as the European Union (EU) it is necessary for a company to expand and find new customers in the area of the EU. It has become a crucial part of every business. The key factor is to provide satisfactory service and features with the software for the customers.

### **3 MARKET RESEARCH**

#### **3.1 What is Market Research**

Market research is mindful analyzation of potential customers' environment. Trends, ways of thinking, deciding factors when choosing products and simply behavior of individual unit, or an organization- depending on the matter, are all taken into account, when investigating the case. Each and every particular piece of information is an answer for a question that the company struggles with. (Hamersveld & de Bont. 2008. 37-38; Westwood. 2012. 49-69.)

Done through different techniques, such as social surveys or advertising experiments, it will give a desired outcome, which is the view of the situation in the market. Proper, reliable research gives the management opportunity to implement changes in the strategy, in order to improve the performance. The decision making process will be much easier, since advantages and disadvantages, from client's view point, of current tactics are now clear. (Hamersveld & de Bont. 2008. 37-38; Westwood. 2012. 49-69.)

The specific interpretation of collected data is essential. Simply gathering information is not enough, if these are not analyzed carefully. Strategy based on such outcome would not meet the demand, customer's expectations and desired improvement. It would not be effective, as the issue in communication had occurred and the result is irrelevant. People hired in the researcher's positions must have strongly developed investigating and understanding skills. They have to get to the core of particular case. (Hamersveld & de Bont. 2008. 37-38. Westwood 2012. 49-69.)

We cannot forget, that the success of market research depends on the organization as well as the audience. There is no way to conduct such investigation without people from outside the company. Their answers, will help to understand the need of the market, we should be aware that the utilization of the data is the foundation of the survey. (Hamersveld & de Bont. 2008. 37-38. Westwood 2012. 49-69.)

### **3.2 Types of Market Research**

Types of market research can be differentiated from two different aspects.

First way puts focus on the type of information gathered. It can be presented as exact numbers, approximate values or even wide opinions. Depending on the kind of data, it will then be classified as quantitative or qualitative. Second form divides sample by the way in which the data was collected. Creating own surveys and basing result on this process is known as primary research, while using existing data available is secondary. (Hamersveld & de Bont. 2008. 39-41.)

### **3.3 Quantitative Market Research**

As we can deduct from the name itself it is all about quantity. The quantitative market research's mission is to collect numerical samples. Such data can be easily used in statistics, as a chart, diagram, accurate measure as well as averages. It is implemented, for instance, when the company wills to identify the size of its market. This sort of research includes: surveys, online and phone questionnaire, sales figures and financial trends. Thanks to this kind of survey, the organization gets to know detailed preferences of the client, for example, how much is he willing to pay for the product. It is information fair enough to use it in newest tactics. (Buckley & Ghauri. 2015. 530-538.)

Keeping in mind the idea 'the more-the better', we observe that bigger sample will give more accurate data. Asking thousand people will give the researcher idea about the market, but sending very same survey to ten thousand people provides much wider answers. However, when considering right quantity of people, one must remember to not choose from random audience. To get proper view for situation, questioned folks must be directly related to the matter of survey. Taking into account demography, gender or even cultural background the outcome will differ. (Buckley & Ghauri 2015, 530-538.)

### **3.4 Qualitative Market Research**

Thinking analogously, the qualitative market research prioritizes quality of data. The research is done through collecting opinions, views, attitudes and even moods towards particular matter. This sort of market examination can be done by formal as well as informal discussion with clients, reviews collected on the fan page or website of the company, even the complaints, taken as constructive criticism. It is a perfect tool, when trying to understand the root of customer's way of thinking. Organizations then, sort of, gets to know the personality of a client; hobbies, expectations, feelings, even the opportunities. By creating such model, the management can not only implement changes in order to increase sales,

but also to improve customer service. There is nothing better, than a client who knows that his opinion matters and will be taken into account when modifying strategy. Such person values the company more, than before, and will remain a loyal customer. (Hamersveld & de Bont 2008, 41-42.)

Obviously, the accuracy of data gathered is much different than in the case of quantitative research. It is not really measurable; cannot be shown in, such easy to understand, numerical data. The outcome is much more complex and complicated, but in the same time treasured, because of its unique and honest nature. (Hamersveld & de Bont 2008, 41-42.)

### **3.5 Primary Research**

Primary research, also known as field research, is based on data collected for company's needs. If management wants to get information about a customer's satisfaction level, such survey will be created under its direct command. The sample can be also gathered through observation of market situation, client's preferences and behaviors. The advantage of such of research is total control over the questionnaire. As the examination is formed according to current needs of the company, the answers will solve the riddle and open the doors to upgraded strategy. One must remember, that such solution is consuming more time, than analyzing existing data, collected by someone else. It is an individual matter of the organization, whether they value accuracy over saving time, or in inversely. (Hamersveld & de Bont 2008, 65-66.)

### **3.6 Secondary Research**

Secondary research is based on the analysis of data that has already been collected. Existing sample, easy to access commonly available can be found from the internet, companies' database, libraries, or even government agencies. (Hamersveld & de Bont 2008, 61-65.)

It can be used when trying to understand the general matter, like the market itself. Thanks to ease in attainability of such data, the company will save a lot of time. There will be no need to create own survey, implement it and analyze the outcome, as the existing one is good enough. Not only time, but the issue of money shall be taken into account. Researchers' salaries, printings, fees for online surveys are just few examples of expenditures connected to information gathering. (Hamersveld & de Bont 2008, 61-65.)

Trying to find specific information may be difficult, if the case was not investigated before. Also, the interpretation of secondary research may be problematic. Such data could have been gathered for different purposes, which is why information does not have real value for the organization. Therefore, before creating the survey, the researchers must know what kind of data is needed exactly and then decide on the examination's type. (Hamersveld & de Bont 2008, 61-65.)

## **4 NEW CUSTOMERS**

Before conducting market research, the company must be sure about the definition of term ‘new client’. However, precise answer demands, firstly, division of the body into two groups; new to the product category and new to the company. (Buttle 2011, 227-229.)

First party includes consumers, who, through development, have faced a new need or have discovered a fresh solution for an existing requirement. These are moments, when a company starts to seek for new services or products to obtain. In such case, the management board will implement ideas, which were never used before, as there was no need. Newly started activity demands set of preparations, such as different supplies, new partners, rearrangement of production line. This sort of customer is often green in the field, as they have just started a new adventure. They will be more open and attentive, but at same time more careful than ones who know the branch. (Buttle 2011, 227-229.)

The second one defines clients, who have not cooperated with one exact company before. Driven by the need of cutting expenses, extension of business, seeking for better and innovative solutions or developing networks, they will be looking for new partners. Such companies are experienced in the branch. They have already worked in the same business for a while and now are simply willing to implement some changes. Managers know exactly what they are searching for and what sort of results arising from the diversity is expected. These customers are won from competitors, which is critical when thinking of increasing market share. (Buttle 2011, 227-229.)

Market research made for a Hungarian IT company in the programming sector have included both groups mentioned above. The company have focused more on examining whether there is or is not a demand for their services in Finland. (Buttle 2011, 227-229.)

### **4.1 Gathering Customer Requirements**

For a company to keep on developing, it must be aware of customer’s needs, especially when trying to enter new a market. Creating products and services or the modification of these are steps towards making the client’s wishes come true. Firstly, one must know the specific targets, which the company is willing to achieve in order to prepare most suitable offer.

To determine measures to be used by the company, when referring to quality of performance, the researcher must not ask for the feedback. This would lead to collecting bunch of adjectives and opinions, which will not help in developing a proper product or service. (Ulwick 2005, 16-22.)

The audience should be asked to define their problem and suggest a solution. Even though customers often describe tangible features or difficulties arising from one exact function of the product, it gives wider and more valuable answer than feedback. The client is not an engineer nor a tech expert, so he is going to use simple explanation. It lies in the responsibility of analytics to read proper message out of such data sample. In conclusion, the management gets view for gaps, invalid features and preferences. The information must be sifted; ideas collected separately from metrics used when evaluating the product.(Ulwick 2005, 16-22.)

The measures are critical to find customer's requirements. Gathering solutions from clients is one of few methods to define these. Other types of data collected are known as specifications, needs and benefits. In our case, the company have asked potential customers about solutions for existing problems. (Ulwick 2005, 16-22.)

In the survey what was created by me but mainly by my supervisor from the company, potential customers were asked, inter alia, about priority of software features, organization activities, and suggested improvement of given product. The answers collected gave view for metrics of performance used inside the organizations as well as personal opinions of audience. Based on the data, the company got to know the requirements of respondents. (Ulwick 2005, 16-22.)

## 5 MARKET SURVEY, RESULTS AND CONCLUSIONS

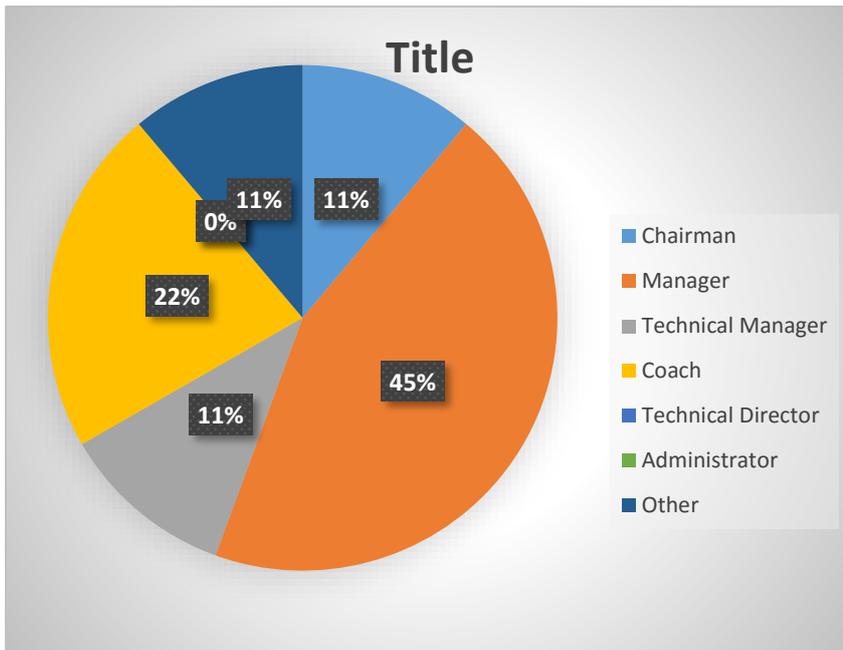
It is really important to define the target of the research in the beginning since this is one of the first and most important thing what a company has to do to if they would like to introduce a new product or service. When the market research is made and designed right, it will allow us to properly position our products in the desired market. The target audience of the research were coaches, and managers of different sport organizations, so the company will get a clear and comprehensive view about the requirements of a software like this on the market. The questionnaire consisted multiple choice questions as well as open questions.

The entire number of research subjects i.e. Different sport organizations in Finland and in Hungary with a reinforcement (youth) base. The questionnaire was sent out to 35 Finnish and to 20 Hungarian sport organizations, the amount of answers I received was 4 and 5, so approximately 11.4% from Finnish sport organizations and 25% from Hungarian sport organizations. In overall, 9 organization responded to the questionnaire making the response rate a total amount of ~16.36%. The questionnaire was available from middle of February until the middle of July 2015. During this 5 month we were trying to get as many answers/feedback as possible. But however we just achieved an 16% success rate with the questionnaire.

In the questionnaire we asked 77 questions and 52 multiple choice questions separated into 12 different groups. These groups were:

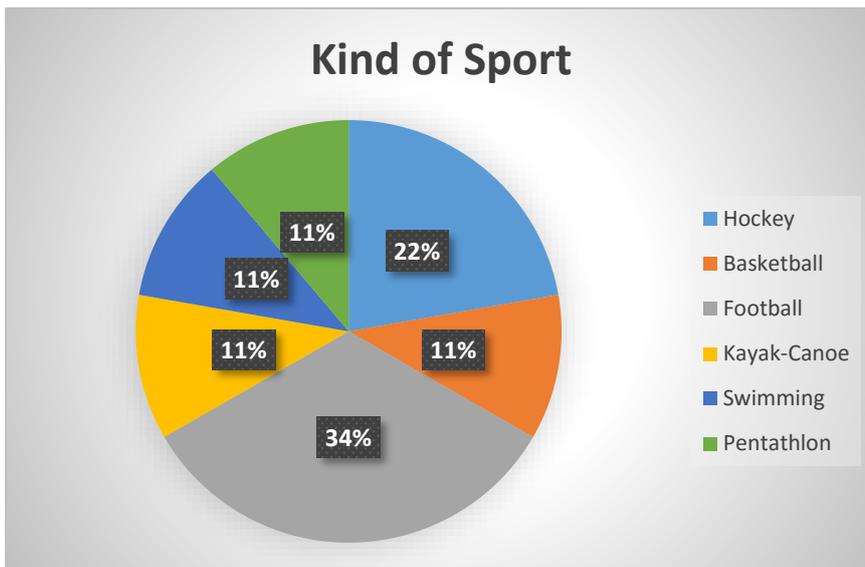
- Basic Questions consisted of 7 questions in total
- Personal Data Records consisted of 9 questions in total
- Training Plan consisted of 5 questions in total
- Training Diary consisted of 4 questions in total
- Surveys consisted of 11 questions and 26 multiple choice questions in total
- Knowledge Base consisted of 4 questions in total
- Tournament and/or Match Statistics consisted of 6 questions in total
- Injuries, Illnesses, Surgeries, Medications consisted of 6 questions in total
- Mental State consisted of 5 questions in total
- Nutrition consisted of 6 questions in total
- Administration, Communication consisted of 6 questions in total
- Software-related Questions consisted of 8 questions and 11 + 15 multiple choice questions in total.

Among those who filled the inquiry form from the staff of the sport organizations 11.1% is Chairman, 44.4% is Manager, 11.1% is Technical Manager, 22.2% is Coach and 11.1% had a title Other. Here we can see the different positions what they are fulfilling. Answers from Finland included According to the distribution of the countries the dispersion rates it follows. See graph 1 below for a detailed chart.



GRAPH 1. Position distribution of the respondents

Since we sent the questionnaire to different sport organizations, we can also see in what field of sport they are on. We can easily see from the answers that those organizations who responded to the questionnaire are 22.2% is in the field of Hockey, 11.1% is in the field of Basketball, 33.3% is in the field of Football, 11.1% is Kayak-Canoe organization, 11.1% is swimming and another 11.1% is in the field of Pentathlon. See Graph 2.



GRAPH 2. Distribution chart of the sport fields

So we can see the majority of responders were Managers 44.4% and the majority of Sport organizations were on the field of Football with 34%.

Considering the diversity of the answers it was beneficial that the respondent group had a wide representation of different sport organizations. Sport organizations have different views and needs when we speak about a managing software, so we can get a view about the market in the given country, in our case Hungary and Finland. Managers will know what do they need to make their life easier and manage the organizations, and coaches can tell us what kind of functions do we need to be in a software to get a described and appropriate view about players and coaching techniques. The software should offer different features for managers, coaches and administrators, but the company should keep in mind that all these people are in need of different functions, they are working with different data, so they should not just make the program with one interface but with several. They have been asked about what kind of tasks do they have to perform, what is included in the scope of employment, so we can get a clear view about everybody that what are they doing and what kind of features they really need to be in this software.

It is very important for a team to have children involved in the training process, because with children they can make sure they will have a reinforcement base. Every organization has a different number of teams involved in youth football education, the more team they have the more children are training

under them. The result of the survey pointed out how big differences can be between the reinforcement teams. The distribution rate among Finnish sport organization in the area of reinforcement is quite wide, we had 2 Hockey organizations answering for the questionnaire who had 800 and the other 1400 youth in their organization. Football is the other kind of sport what we should check, since we had respondents from both countries, in Hungary both organizations had 260 youths but in Finland they had 345. Taking into consideration that the number of inhabitants in Finland is about 5.5 million and the population of Hungary is about 9.9 million, we can see that people are more active in Finland so a software made especially for Sport Associations should be more successful than in Hungary according to this particular information (Internetworldstats 2016.).

The second part of questions was asking about the Personal Data Records. In this part of the questionnaire the respondents answered the questions about how and for what reason are they recording the data about the reinforcement base and as well as what kind of data they are recording if they are recording any data at all.

The third part of the questionnaire was about the Training plans, whether they are making their own training plans or not, and if yes, how they are using it. This part was supposed to develop a software feature, so the company can see exactly for what and how the sport associations are using a training diary. Among those who filled the questionnaire from Finland 50% answered that it is obligatory to make a training plan and the rest answered they do not make at all, meanwhile in Hungary 100% of the organizations are making training plan compulsorily. They were asked if the coaches in the club are sharing the training plans with each other, in Finland in 75% of the organizations coaches share the training plans with each other and in Hungary this number is 80%.

The participants were asked about the Training Diary in the fourth part of the questionnaire. The part for Training Plan and Training Diary in the survey was strongly connected and the questions were supposed the complement each other. Going a bit deeper, the survey will show us that 50% of those who answered for the questions from Finland are already using a custom software for these kind of tasks, but meanwhile in Hungary none of the organizations have this kind of software but they are using Microsoft Excel for the same tasks. Based on this result in Finland the company is already having competitors although in Hungary there are no competitors. We should also take into consideration that based on this questionnaire that the purchasing power is stronger in Finland.

In the next part the organizations were answering questions made about Surveys at the sport association. In Finland all the sport organizations take surveys quarterly, although in Hungary just 40% of the associations take it quarterly, 20% of the organizations are doing it weekly, 20% of them are doing it monthly and another 20% of the associations are doing it in every half year. The collected information is useful to compare the achievements and results year by year. The organizations in Finland are taking these surveys quarterly, so this is a considerable feature of the software if it can do the measurement automatically given to the coaches and managers.

In the “Knowledge Base” part we got to know how the organization solves the problem of sharing information between the coaches. In Finland 25% of the sport organizations are using shared web hosting and 50% are using email mailing lists, however in Hungary 20% of the associations are using shared web hosting solutions for this task and 80% of them are sharing the information during informal conversations

The basic concept of shared web hosting is that several companies/people share the resources of the server and will be shared between all the companies/people who are using it. To be able to use this service the organizations must have a web page or web application where they can share the information between each other, so Company X can make this program as a web application what would be the most effective, since it is easier to maintain the web page or server from a distance than upgrade a computer installed program.

It is also important for the program to be able to collect and keep information of the tournament/match statistics so it can help the organization to track all the players and coaches’ achievements. Among those who answered this question from Finland and Hungary, all the organizations are collecting and using this information to achieve further goals.

Those who filled the questionnaire are monitoring the athletes’ illnesses, healing processes, injuries and rehabilitation. To have a database where all this crucial information stored about the athletes’ health is really important, as well as the records about the athletes’ mental state. When all the information is stored in one place it makes it easier to maintain and follow all the changes and plan ahead for the next season. Since many organizations are providing diet suggestions and monitoring the diet it is important to show the achievement about the diet and allergies to the doctors who are taking care of the athletes.

With the next part of the questionnaire we got to know that 75% of those Finnish organizations who answered are using a custom software to maintain the daily administration and communication within the company, meanwhile 25% of these organizations are using Microsoft Excel to keep the records. In Hungary based on the questionnaire 40% of the organizations are still using normal paper for the administration and 60% of them are using Microsoft Excel. Most of the clubs are using email to notify the colleagues about the changes, in Finland 75% and in Hungary 80% of the associations. We can also see that in the operation and administration of the club 100% of the associations are using a custom management software in Finland. In Hungary 20% of the clubs are using a custom made software and 80% of the leagues are using some different method.

Those who filled the survey had to answer what are the most important software features and put them in order of priority, so Company X can decide on which part of the software they want to put the emphasis in the software to make the program more preferable among the future costumers. The most important features of the software according to this part of the questionnaire should be a communication interface for athletes, parents and coaches, a training diary maker function what supposed to make the coaches life easier with suggestions for each individual player if necessary, and the statistical reports to the management and to the coaches to see the achieved goals and declare new goals.

The conclusion of the research is that the company has a better chance to succeed on the market in Hungary right now, since 80% of the organizations are not using any custom made software, but meanwhile in Finland 100% of the organizations are using among those who filled the market survey. In Finland the market is saturated in this area but the company should also take into consideration that Finnish market is bigger, so using the correct channels for marketing they might succeed with breaking into a new market. The Company should mainly concentrate on the local market at this moment but they should also search for the correct advertising channels in the Finnish market, so they can succeed.

## **6 MARKET AND PEST ANALYSIS OF FINLAND**

By applying the PEST analysis, we should be able to comprehend the market opportunity and the risk on the Finnish market. PEST analysis is a proper and orientation tool for the companies to extend the vision of their business in the desired country. Hence, we can discern the potential, risk, threats and sustainability of the Finnish market.

### **6.1 Market Analysis**

Market analysis has to be made for each and every market where the company would like to sell its product. The expectation from the product, size of the market and the value of it may slightly differ. In this work the author will focus on the Finnish market since the company already has an available and well-contrived plan for the local market. The purchasing power parity in Hungary were \$196.3 billion in 2012 and \$196.6 billion in 2013, although in Finland in 2012 it was \$196.8 billion and in 2013 it was \$195.5 billion. The recorded GDP in 2014 in Finland was \$38569.11 but in Hungary it was \$23609 (Indexmundi 2015a; Indexmundi 2015b).

### **6.2 Political Analysis**

According to the parliamentary election in 2015, Finland is led by the Centre Party (KESK) but we can also find The Finns (PS) –a far-right Eurosceptic party- and as well the National Coalition Party (KOK). The government would like to restore economic growth, reduce the public debt and boost competitiveness are the main goals of the government. The GDP contraction was 0.4% in 2014, and around 0.1% in 2015 (EIU 2016).

The central Government is located in Helsinki. Moreover, Finland has a bit over 300 local authorities. Finland's prime minister is Juha Sipilä. The political risk is compromising the strength of the current political power, the stability of the decisions of the government, the sustainability and reliability of the current government bureaucracy, the effectiveness of the international relations, and the predictability of the legal system (Suomi 2015).

The other political factor is the corruption level where Finland is in a pretty good position in the 3<sup>rd</sup> place in 177 countries according to the Transparency. In Finland the government stability reliable since it reached the level of 98% of corruption control in 2010. (Tianyu. 2014.23-30.)

### **6.3 Economic Environment**

The unemployment rate was 11.8% in April 2015 and it was dropping to the level of 8.7% in October 2015, which means Finland has a growing economy but it still needs more work placement. When new companies entering to the market, the company will make directly or indirectly job opportunities in the new market. (Tianyu. 2014.23-30.)

Finland has one of the highest labor cost in Europe. On one hand high labor cost means that the labor has a steady income, but on the other hand it means that it, reduces the motivation for the companies of entering to the new market. With the larger income the consumer gets the stronger buying power on the market. Thus, Finland has a strong buying power so it has a strong market potential.

The crisis in Europe and in the Eurozone, and the problematic economic situation is controlling the politics right now. The main controversy is that the government is fighting with the weakening exports, with increasing the age of retirement, trying to make major reforms to health care and education, and fighting with the deficit what is increasing quickly. The government should also invest in R&D since the economic growth is close to zero (0.5%). (Nemeth 2015)

### **6.4 Socio-Cultural Environment**

The social security system is quite strong and comprehensive in Finland. In Finland the government gives many different kinds of support, like unemployment security, occupational health care, and sickness allowance of an entrepreneur. The legal accident insurance is not integrated to the social security of an entrepreneur. These securities actually attract many foreigners to start a business in Finland or existing companies to expand businesses. (Tuulikki. 2007. 140-146.)

## **6.5 Technological Environment**

Finland is well known about its technological capability around the world. The forest industry, Information-Communication Technology (ICT) sector and the metal industry are playing the main roles in the technological environment just as well as in the economic environment. There are many other research areas in Finland; such as biotechnology, nanotechnology, agriculture, new productions and materials technologies. (Ivanova. 2015. 31-36.)

Finland successfully enhances a fast growing and competitive environment for the technological industries. There are many start-up companies established every year. Therefore R&D investments are quite popular in Finland. In 2013 the amount of money what was invested reached the 6.68 billion Euros in Finland. (Orjala. 2014.)

## **7 IMPLEMENTATION OF THE RESEARCH**

The writer of this thesis was concentrating on how Company X can enter in to the Finnish market where the products that it would like to introduce are already available. The method of the research work was a form of questionnaire made in Google docs. The questionnaire included open questions, Likert Scale questions and multiple choice questions as well. Possible future customers in Finland and Hungary were the object of the research.

The participants got the questionnaire via email. In the beginning of the questionnaire the project was explained and there were few words about Company X as well. The company asked the participants for their name, position and the name of the Sport organization as well, but unfortunately due to the secret form of agreement between the thesis writer and the company the writer of the thesis has no access to these details, the same reason why the name of the company is not mentioned in the thesis.

All the answers were analysed by the writer of the thesis. Unfortunately, the survey didn't get a huge amount of respondents, but to be able to predict the purchasing power for this software and the possibilities it was enough. All the questions were carefully considered by the writer of the thesis and Company X to avoid misunderstandings and mistakes in the research work.

To summarize the result, we can say that right now the company has bigger chance to succeed with its product in Hungary than in Finland, since the Finnish market is already saturated according to the outcome of the research. The company should focus on the local market right because with a good commercial for the software they can easily open the market for this software in Hungary, however in Finland this kind of software is well known among the sport organizations, so the market is already opened for this kind of product.

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