Market Entry Strategies
The Case of Aura Light Entering the Bulgarian and Romanian Markets

Authors: Stella Georgieva Kostova
         Tina Gloria Esho

Tutor: Joachim Timlon

Program: Growth Through Innovation
         & International Marketing

Subject: Master Thesis

Level and semester: Masterlevel Spring 2008

Baltic Business School
“Shining a New Light on Entry”
Abstract

Developing countries are quite attractive destinations for foreign investments in various economic sectors. Whether an MNC can successfully enter these markets embodies the aptitude to understand the external macroeconomic and social environment of the host country. An MNC must adjust their competitive stance, decipher adequate market potential and uncover the relevant entry strategy to acquire operational success.

We have built a framework surrounded by essential operational strategy. This concerns matching a firm’s resources and capabilities to the opportunities that arise in the external environment. In most common literature, emphasis lies within identification of profit opportunities in the external environment of the firm. Imperative emphasis shifts from the interface between strategy and the external environment; towards the interface between strategy and the internal environment. In this context, the concentration of the organization’s resources and capabilities is targeted to combat turbulent external environments and devise a secure foundation for long term strategy.

To understand why the resource-based view has had a major impact on strategy assessment, a preceding glimpse for strategy formulation can be considered. Conventionally, firms have answered the question “who are our customers?” “What are their needs we’re seeking to serve?” “Who are our Competitors?” “How can gain a competitive advantage?”

Through answering these questions in conjunction with macroeconomic analysis are inevitable prerequisites for pinpointing the key success factors (KSF) for the individual market segments. The KSF are the factors within the company’s market environment that determine its ability to prosper and survive exploiting its core resources.
Acknowledgements

It has been a great pleasure to write this Master Thesis in conjunction with Aura Light International AB. We would like to thank all the individuals who helped us throughout the entire written process, and provided continual support and assistance.

We would like to extend special thanks to Martin Malmros, Chief Executive Officer at Aura Light in Stockholm, Sweden who provided tremendous intellectual and financial support.

We would also like to express our gratitude to Sara Berglund, International Sales and Marketing Manager, as she was our key internal contact within the company.

Finally, we would like to thank our tutors, Joachim Timlon and Hans Jansson, for their constant guidance and encouragement. This paper would have not been possible without their keen knowledge and expertise. We are sincerely grateful.

Högskolan i Kalmar, June 2008

Stella Kostova & Tina Gloria Esho
About The Authors

**Stella Georgieva Kostova** was born 24th February 1983 in Burgas, Bulgaria. In 2006 she graduated with a Bachelor in International economics from Varna University of Economics, Bulgaria. She has also had one year academic experience as an exchange student at Seinajoki University of Applied Sciences, Finland. She has worked as an international purchasing and logistics assistant at big multinational companies. Her motivation for this thesis comes from her deep interest in international marketing, strategic planning and experience in project management. She would like to continue her career development in the international marketing field.

**Tina Gloria Esho** was born Sep 5 1985 in Canada and grew up in a small suburb of Toronto. In June 2007, she graduated with a Bachelor of Business Administration with a Marketing Major from the University of Guelph-Humber situated in North York Canada. Her motivation for this thesis lies within her natural passion for market research, and instinctive abilities to discover new opportunities, dynamic possibilities, and innovative strategies for market entry. She would like to further develop her career in business consulting and international marketing.
**Abbreviations**

KSF  Key Success Factors  
MNC  Multinational Corporation  
EU  European Union  
WTO  World Trade Organization  
UNCTAD United Nations Conference on Trade and Development
# Table of Contents

**Introduction**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Background</td>
<td>10</td>
</tr>
<tr>
<td>1.2 Research Background</td>
<td>10</td>
</tr>
<tr>
<td>1.3 Research Problem</td>
<td>11</td>
</tr>
<tr>
<td>1.4 Purpose</td>
<td>13</td>
</tr>
<tr>
<td>1.5 Delimitations</td>
<td>13</td>
</tr>
<tr>
<td>1.6 The Case Company</td>
<td>13</td>
</tr>
<tr>
<td>1.7 Outline of Thesis</td>
<td>16</td>
</tr>
</tbody>
</table>

**Methodology**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Research Approach</td>
<td>18</td>
</tr>
<tr>
<td>2.2 Research Strategy</td>
<td>18</td>
</tr>
<tr>
<td>2.3 Case Study Design</td>
<td>19</td>
</tr>
<tr>
<td>2.4 Data Collection</td>
<td>23</td>
</tr>
<tr>
<td>2.5 Data Analysis</td>
<td>26</td>
</tr>
<tr>
<td>2.6 Quality of Research</td>
<td>27</td>
</tr>
<tr>
<td>2.7 Ethics in Research</td>
<td>30</td>
</tr>
<tr>
<td>2.8 Data Collection</td>
<td>21</td>
</tr>
</tbody>
</table>

**Theoretical Framework**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 External Environment Analysis</td>
<td>31</td>
</tr>
<tr>
<td>3.2 Absorptive Capacity and Inter-Organizational Relationships</td>
<td>34</td>
</tr>
<tr>
<td>3.3 Basic Institutions Model</td>
<td>18</td>
</tr>
<tr>
<td>3.4 Organizations Resources &amp; Capabilities &amp; Inter Relationships</td>
<td>35</td>
</tr>
<tr>
<td>3.5 Summary</td>
<td>36</td>
</tr>
<tr>
<td>3.6 Organization Field Analysis Product Market</td>
<td>23</td>
</tr>
<tr>
<td>3.7 Summary</td>
<td>45</td>
</tr>
<tr>
<td>3.8 Market Entry Strategy</td>
<td>47</td>
</tr>
<tr>
<td>3.9 Summary &amp; Personal Research Model</td>
<td>48</td>
</tr>
<tr>
<td>2.8 Data Collection</td>
<td>21</td>
</tr>
</tbody>
</table>

**Empirical Study**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Internal Environment the Case Company Aura Light</td>
<td>51</td>
</tr>
<tr>
<td>4.2 External Environment</td>
<td>52</td>
</tr>
<tr>
<td>4.3 Product Market Customers</td>
<td>63</td>
</tr>
</tbody>
</table>
# Analysis of Empirical Findings

5.1 Internal Environment Aura Light ................................................................. 95
5.2.1 External Environment Bulgaria ................................................................. 96
5.2.2 External Environment Romania ............................................................... 99
5.2.3 Summary of External Environment ........................................................... 101
5.3 Product Market ............................................................................................. 102
5.3.1 Customer Analysis .................................................................................... 102
5.3.1.1 Customer Analysis Bulgaria ................................................................. 102
5.3.1.1.1 Private customers ........................................................................... 102
5.3.1.1.1 Public customers ........................................................................... 115
5.3.1.2 Customer Analysis Romania ................................................................. 118
5.3.1.2.1 Private customers ........................................................................... 118
5.3.1.2.2 Public customers ........................................................................... 122
5.3.1.3 Summary Customer Analysis ............................................................... 124
5.3.2 Competitor Analysis ................................................................................. 127
5.3.2.1 Competitor Analysis Bulgaria ............................................................... 127
5.3.2.2 Competitor Analysis Romania .............................................................. 132
5.3.2.3 Summary .............................................................................................. 136
5.4 Key Success Factors ..................................................................................... 139
5.5 Market Entry Strategy .................................................................................. 140
5.6 Summary of Analytical Findings .................................................................. 143

# Conclusions and Recommendations

6.1 Academic Conclusions ................................................................................ 145
6.2 Recommendations for the case company .................................................... 154

# References

Articles .................................................................................................................. 157
Books ................................................................................................................... 157
Course Material .................................................................................................. 158
Internet Sources .................................................................................................. 158
Online Press Releases ........................................................................................ 159
Interviews ............................................................................................................. 160

# Appendices

Appendix A .......................................................................................................... Data Collection
Appendix B .......................................................................................................... Competitor Lamps
List of Figures

1.1 Customer Segments – Aura Light ................................................................. 15
1.2 Single embedded Case Study ................................................................. 20
2.2 Research Model framework ................................................................. 22
3.1 Basic Institutions Model ................................................................. 34
3.2 Interaction Model to Buyer-seller relationship ........................................ 39
3.3 Interaction strategies’ matrix ................................................................. 40
3.4 Competitor Analysis Model ................................................................. 44
3.5 Own Research Model ................................................................. 50
4.1 Sample of lighting Project Public Bid .......................................................... 76
5.1 Buying behavior of Bulgarian public customers ........................................ 117
5.2 Buying behavior of Romanian public customers .......................................... 122
5.3 Key success factors for Aura Light ........................................................... 138
5.4 Market Entry Strategy ............................................................................ 140
6.1 Adjusted Interaction strategies’ matrix .................................................... 152
6.2 Recommended Step Approach ............................................................... 154

List of Tables

Summary of institutions .................................................................................. 92
Buying strategy-oil and gas industry ............................................................... 106
Buying strategy-heavy industry ..................................................................... 110
Buying strategy-Bulgarian lighting services industry ...................................... 114
Buying strategy- Romanian lighting services industry ................................... 120
Summary of customer analysis in Bulgaria and Romania ............................... 124
Summary of competitor analysis in Bulgaria and Romania ......................... 135
1. Introduction

In this chapter the topic and the research problem of the thesis are introduced as well as the purpose and delimitations of the study. Finally the case company Aura Light is presented as well.

1.1 Background

This master’s thesis covers the topic of entry strategies a multinational company can use in order to establish itself on Bulgarian and Romanian markets. This dynamic topic reveals crucial social and business aspects of the rapid globalization the world faces nowadays. Companies worldwide expand out of domestic traditional boundaries to remain competitive in a global perspective. Internationalization itself (via indirect and/or direct investments) towards big highly potential markets provides opportunities to conceptualize fast corporate growth.

Initial competitive advantages and development potential in particular market segments can provide prospects for further expansion to other business areas the firm operates in. It is a matter of finding the right time, the right place and right way to make the first investments.

Developing countries are quite attractive destinations for foreign investments in various economic sectors. Additionally, transition economies - former centrally planned economies that have gone through major transformations towards democratic market economies. These nations tend to be a more specific group of developing countries marked by high turbulence, complexity and low predictability of the institutional environments which necessitate careful investigation prior to initiating new business ventures there.

1.2 Research Background

Normally the first factor taken into consideration when internationalizing to a new market is the political and macroeconomic stability of the host country. This is especially important when the latter is not a mature economy. The turbulent and complex nature of developing countries poses a risk of unstable and unfavourable for the particular firm and the macroeconomic situation regarding GDP growth, inflation, structure of GDP, trade, balance of payments, 100% transferability of dividends,
royalties, profits abroad, liberalization of interest, trade and exchange rates, types and volumes of FDI in strategic sectors, etc.

Typical features of developing countries are also the unclear and insufficient legal system, informal procedures and cultural specificities, combined with high corruptive practices and wide political interference in business life.

Some product/service markets in transition economies are underdeveloped lacking incentives for development and thus offering no or few positive perspectives for foreign investors. Sometimes no demand (or low demand) is a result of lack of resources, subsidized prices, too centralized and improper control, political interference etc. Further, environmental protection and energy efficiency issues are still not as popular and essential as in mature country markets. As a consequence of all these, some highly specialized, sophisticated and innovative products might not answer the current customer needs in terms of quality, price, physical outlook etc.

Additionally, competition in some market segments tends to have oligopolistic structure, leading positions of lower cost local producers or already established global players with considerable market shares.

All of the above embody the probability of an inappropriate choice in terms of time and entry strategy (indirect instead of direct investment mode or vice-versa) which might deprive the company of opportunities for exploiting core organizational capabilities, increasing the perceived customer value, gaining competitive advantages on the market and financial profits.

1.3 Research Problem

Considering the above outlined factors an international company needs to take into account before entering a new market, a major research problem could be formulated:

**Main Research Problem**

| How a highly-specialized multinational company operating in the lighting industry can successfully enter Bulgarian and Romanian markets? |

In order to facilitate the answer to the main research problem, three sub problems are formulated.

| What is the external environment on the target markets? |
In order to answer this sub problem, an investigation of the social and macroeconomic environments of the target markets will be made.

**What is the customers’ buying behaviour and how it can change?**

The answer to this question will be found in a research of potential customers in private and public sectors of the target submarkets.

**How does competition appear in the target markets?**

To find an answer to this question, a study on the major local and foreign competitors in the target market segments will be conducted.

**How can the company establish operations on the target markets?**

On the basis of the solutions to all the above sub problems, a conclusion will be made for the proposition of the most appropriate strategy for establishment on these markets.

Whether an MNC can successfully establish itself on a new market embodies the aptitude to understand the external macroeconomic and social environment of the host country. An MNC must adjust their competitive stance, decipher adequate market potential and uncover the relevant entry strategy to acquire operational success.

Therefore, the above outlined sub problems will be investigated in this arrangement in order to solicit the best solution to the main research problem of the thesis.
1.4 Purpose
The purpose of the thesis is to describe the external institutional environment of the host countries and applying the inter-organizational approach to describe the product market in the chosen segments focusing on the potential public and private customers as well as local and foreign competitors. We further aim to explain these empirical findings in the case of Aura Light and recommend an entry strategy for the case company to successfully establish on the two target markets.

1.5 Delimitations
Taking into account the limited time and resources, the boundaries of the research scope are narrowed to:

- Investigating public lightening, heavy industry and oil and gas industry out of all business segments where Aura Light operates
- Scaling down the steps in external environment analysis (identification, description, explanation and prediction) to description of institutions in the macro and meso sectors
- Focusing on customers and competitors as major actors on the product market, excluding the networks of intermediaries and suppliers (as Basic Institutions Model designates)
- Emphasizing on the needs and preferences of private and public customers through studying their organizational buying behaviour without accounting for the international business marketing process and the stages of relationship building (as the inter-organizational approach indicates)

1.6 The Case Company
This thesis aims to provide senior executives of Aura Light AB with a detailed understanding of the Eastern European Regions of Bulgaria and Romania’s potential for high-quality lighting solutions and assessment of viable entry strategies. Aura Light International AB, part of the Aura Group, is owned by FSN Capital. Aura’s core competence is to develop, manufacture and sell quality light sources within their unique “Long Life” concept. The concept holds their patented solutions
distinguished by light sources with extra longevity- a dynamic factor that dictates their leading market position from a global perspective. The head office and production is located in Karlskrona, Sweden, with other sales offices in Finland, France, Germany, Holland, UK, and Norway. The organization also has representatives in Australia, Belgium, Ireland, Italy, Poland, Switzerland, and the United States. Aura currently upholds a robust presence in Western Europe and would like to expand into new markets with the underlying support of their vision and mission.

**Vision:** To be the Recognized Global Leader in Providing Long Life Solutions to Customers Seeking Eco Lighting Economics

**Mission:** Long Life Conversion

1.6.1 The Industry

There are several interdependent factors which are currently effecting the lighting market: energy prices, government energy policies, environment protection policies, new technical legislation, shifting consumer demand, innovative high performance lamp technologies and falling prices of energy efficient products, all contributing to a substantial upturn in the market for electronics based lighting. In the European Union (EU) one third (33%) of all lamps currently installed are efficient, while two thirds (66%) of all lamps currently installed in the European Union are energy inefficient. This creates a viable industry to market and sell an energy efficient product line.

1.6.2 Competitors

The most famous and world-leading supplier of universal lighting technology is the Dutch Phillips. Phillips has estimated revenues of €26.976 billion, and hold 20% of the European market share. Followed by the German Osram with estimated revenue of €4.3 billion, and General Electric (Tungsram), Sylvannia etc. Other large suppliers within European countries are local producers (or large conglomerates with a local subsidiary lighting division). This implies that the high-end lighting market is also favoured by local supply and local brands.
1.6.3 Strategy

The company markets its products to selected professional end-users. Main customers segments include Natural Resources, Infrastructure/Road& Rail, Infrastructure/Subway, Airports, Real Estate (Warehouses), Clean Rooms, Signage, Food and Beverage, and General Production. The following figure dissects the components in each segment.

Figure 1.1 Customer Segments

What distinguishes’ Aura’s constant research and product development, is their ability to develop quickly and efficiently the lighting solutions that their customers demand. In close partnership with customers in various sectors, they have designed special versions of their Long Life fluorescent lamps for different applications – e.g. signage and cold, dirty or sensitive environments. By listening to and understanding their customers, they provide high quality and efficient lightning products tailored to individual customer needs.

1.6.4 Eastern Europe

Currently Aura Light has no operations in Eastern Europe; however this region may represent big potential for expansion. A new investment climate is beginning to emerge as these regions are amongst the fastest developing in Europe especially after the recent accession of Bulgaria and Romania into the EU.

The public lightening segment in the target country markets is going through significant restructuring towards higher quality lighting sources and energy saving solutions. Whole lighting systems are being changed in streets, parks, hospitals, schools, municipality buildings, subways etc. Projects are financed and implemented
directly or indirectly by local governments as well as co-funded by governments and European Union agencies in line with European Green light programme.

1.7 Outline of The Thesis

Chapter 1: Introduction
Chapter 2: Methodology
Chapter 3: Theoretical framework
Chapter 4: Empirical study
Chapter 5: Analysis of empirical findings
Chapter 6: Conclusions and recommendations
Chapter 7: Contributions and implications

References
Appendix
2. **Methodology**

*This chapter aims to illustrate the study of how to perform qualitative research. The choices of the research strategies, methods, and research design, will be described and discussed. In short, the methodology will elaborate on the collection of theories, concepts and ideas, illustrate a comparative study of different approaches, and criticize individual methods to solicit high validity.*

Methodology refers to more than a simple set of methods; rather it refers to the rationale and the philosophical assumptions that underlie a particular study. This is why scholarly literature often includes a section on the methodology of the researcher Creswell, J. (2003). This section does more than outline the researchers’ methods, but explains the nature and scope of the researchers’ pre-existing knowledge, as well as the constraints of reality.

### 2.1 Research Approach

Before we constructed our main problem and our research problems, we had basic information about the existing situation from the case company. Aura Light had no pre-disposed information about favourable segments to serve, major industry players and market conditions pertaining to both targeted countries. In order to structure, constitute and develop these crucial factors we took an abductive approach, which can be viewed as a cross between inductive and deductive methods. Induction can be viewed as using pre-existing theories to test and prove ones reasoning for conclusions; while deduction observes pragmatic arguments to provide a guarantee of the truth behind the conclusion. Through combining these two methods abduction expands our knowledge and drives the research process forward. Anna Dubois and Lars-Erik Gaddle state that this particular method allows the researcher to move respectively between empirical data and theoretical models.

Within our thesis we constantly use a blend of pre-established theory to decipher the valid answers for our research questions. We also place our empirical findings in the context of adequate market entry strategies, continuously moving between theory and empirical results for our analysis. This allows us to draw out legitimate conclusions based on academic facts and observed reality.
2.2 Research Strategy

As the examiner decides on the right research approach, he/she must also decipher the right research strategy. There are different strategies that can be used when conducting a study. Yin (1994) suggests that the choice of the strategy should be based on the types of research questions, the degree of control over actual events, or the focus on contemporary or historical events. If the researchers can build on these three characteristics, it is possible to choose between five research strategies: experiment, survey, archival analysis, history and case study.

Since our research involves ‘how’ and ‘why’ questions as well as a contemporary event (entering new markets), the ability to control the major factors in this situation is impossible. With this being acknowledged, the most practical approach to pursue would be a case study.

2.2.1 Reasons to support selection of chosen strategy

First, a case study usually investigates a contemporary phenomenon. While it is possible to talk about historical case studies, a significant attribute of case study research is the examination of a social situation as it unfolds. Second, however, a simple narrative of any account of any contemporary phenomena is not case study research. The phenomena examined should be of theoretical significance. According to Dubois (2002) the phenomena being examined does not mean that the case study must always be based on prior theory, only that it should be concerned with a subject of research interest. Third, the case study method involves the detailed examination of the phenomenon within its real life context. The aim here is to provide depth of analysis, which includes not only the phenomena itself but also the context in which it’s located. Fourth, this recognition of context involves more then just the specification of an antecedent and temperate variables, but the recognition that any phenomenon is embedded in its context. Thus according to Yin the case study methods give attention to the intertwining of phenomenon and context, however he does stress that such detailed examination can be applied only within the specified boundaries of the case. Using this research strategy is suitable to increase the understanding of Aura Light’s entry procedures showcased through authentic practice. Results obtained from this practice can also be applied to other firms in specialized
industries which makes the case study not exhausted towards only the needs of the studied case company.

2.3 Case Study Design

The structure of a case study has an implicit, if not explicit, research design (Yin, 1994). In the most elementary sense, the design is the logical sequence that connects the empirical data to a study’s initial research questions and, ultimately to its conclusions. Yin further describes five components of the case study design:

1. The study’s questions
2. The propositions
3. The unit(s) of analysis
4. The logic linking the data to the propositions
5. The criteria for interpreting the findings

A crucial decision the researcher must make is whether they require multiple case studies or if a single case study is adequate. According to Yin the single case study is justified according to the following five factors:

- Critical case- where the case represents a critical test of existing theory
- Extreme or unique case- where the case represents a rare or unique circumstance
- Typical case- where the case represents a representative or typical case
- Revelatory case- when the case serves a revelatory purpose
- Longitudinal case- when the case serves a longitudinal purpose

For our research the best representation would be a typical case. The market entry process seems to be typical among many MNCs that want to enter developing economies. Therefore, our single case study could be applicable to other firms, although further investigation is needed to confirm if recommendations can also be extended towards other firms.

Next, we must fathom between the usage of single (holistic) and multiple (embedded) units of analysis. For the case of Aura, there are many factors that can affect the firm’s mode of entry (showcased in figure 2.2), and thus have to be analyzed. Therefore our design approach in its entirety is the single embedded case study. Through taking this approach we combine multiple sources of evidence to add breadth and depth to our data collection. Yin describes it as bringing a richness of data
2.3.1 Systematic Approach

‘The case study is preferred in examining contemporary events, when the relevant behaviors cannot be manipulated’ (Yin 2003, pg 7). The embedded case study approach is particularly relevant to examination of an environment where the boundaries between the phenomenon of interest and context are not clearly evident. With this blurred foresight, exploratory research helps the researcher to identify, define and structure the problem. In order to get a closer insight of what Aura Light wanted to target when entering these markets we conducted interviews with key personnel and senior management. The knowledge gained from these interviews was used to improve the quality and eminence of our research. A descriptive approach was also conducted when describing our empirical findings from our field studies in both
Bulgaria and Romania. This was based on retrieved answers from the respondents and through direct observation.

2.4 Research Model

The developed research model outlines the complete methodological concept of the thesis. This model highly represents an abductive approach showcased in the second box pertaining to the framework, the case, the empirical findings, and the theory. According to Dubois (2002) this systematic combining is used to confront theory with the empirical world, a consort that is continuous throughout the research process. How this process develops is directed by another confrontation- the evolving framework and the evolving case. After this imperative section is completed natural conclusions will begin to arise leading to stipulated suggestions and possible further steps.
Problem Definition

Research Question 1
Research Question 2
Research Question 3
Research Question 4

Methodology and Research Design

Framework
The Case Study
Empirical Findings
Theory

Analysis

Theoretical Conclusions
Empirical Conclusions

Suggestions for Further Research

Figure 2.2 Research model enthused by Dubois & Yin
2.4 Data Collection

This sub-chapter describes the methods used to gather the information necessary for answering the research questions. Fisher (2004) distinguishes four main research methods for gathering data: interviews, panels, questionnaire, observation and documentary. The mentioned techniques vary in terms of structure - they could be structured or unstructured (open). The author suggests as more appropriate the open approach when answers cannot be fully anticipated, new ideas are sought and the number of respondents is not substantial.

Yin (1994) introduces six fundamental sources of data which he calls sources of evidence: documentation, archival records, interviews, direct observations, participant observation and physical artefacts. All of the sources have their advantages and disadvantages, and in the meantime they are quite complementary which makes their combined usage a strong feature of the case study.

In addition, Dubois and Gadde (2002) discuss the necessity of using a few techniques in order to enhance the development of the framework and the dimensions of the subject.

In our study we used interviews when collecting data combined with an open approach, harvesting open interviews as a major technique for gathering data. This unstructured approach was used when meeting with local firms within the oil and gas industry, heavy industry, lighting design companies, and municipalities. A more thorough description of these companies will be presented in the empirical chapters.

Our aim was to identify potential customers, and uncover how competition associates itself with these customers. We also used direct observations during the meetings in conjunction with different types of documents such as company internal reports, presentations, newspapers, magazine articles, official public institutions’ announcements and databases. Here these sources were used to uncover current trends on the targeted markets and discover various possibilities that influence market entry (i.e. market condition and investment climate). The fact that we took the approach to conduct open interviews allowed us to uncover hidden questions that only appear through further conversation. The circumstances of our open interviews also revolved around the fact that the detailed parts of our case study and interviews characterize the importance of potential customers when entering a new market. Therefore our open interviews took more of a conversational feel, in which the interviewers had the
demeanour of market researches and the interviewees assumed the role of potential customers. This style of consultation proved to be a successful approach in both countries.

2.4.1 Types of data

**Primary and Secondary Data**

Primary data is data not existing prior to the case study and is thus collected specially for it. The most commonly employed techniques for gathering primary data are interviews and observations.

Secondary data is data existing prior to the case study and could be used in the theoretical part as well as empirical part of the case study. As secondary data could be qualified as electronic and hardcopy articles, books, internal company reports documents, and web pages.

We have used both primary and secondary data. The field trips to Aura Light’s offices in Karlskrona and Stockholm, as well as the field research done in both Bulgaria and Romania allowed for primary data collection through open interviews as well as direct observation through witnessing the surrounding environment. Secondary data was also gathered in the form of brochures, company materials, corporate websites, electronic articles, and books. These sources increase validity and enhance reliability.

As mentioned in the above sub-chapter triangulation was also used to synthesize data from multiple sources through direct observation. By examining information collected by different methods, by different groups and in different populations, findings were corroborated across data sets, reducing the impact of potential biases that can exist in a single study.

2.4.2 Active and Passive Data

Dubois and Gadde (2002) introduce another classification of data in addition to the one presented above. They associate active data with unexpected discovery whereas passive data is the one the researcher aims to find. Active researchers come across mostly passive data, while passive researchers find more active data. Hence, we were alert to detecting active data during the conducted meetings so as to come up with both passive and active data to enhance our findings.
2.4.3 Principles of data collection

In order to have efficient results from the above mentioned sources of data collection, we follow the three principles emphasized by Yin (1994):

- Usage of multiple sources of evidence – this refers to the ideology of triangulation, which increases the overall trustworthiness of the study by relying on conclusions drawn from multiple sources of data.

- Creation of a case study database – this refers to the organization and management of the collected data; because of cultural norms interviews could not be recorded, therefore all interviews were typed on the spot, documenting the respondents answers word-by-word, and then re-organizing the collected data into a structured manuscript. By this the researcher or the readers can go back into the raw data when obligatory.

- Maintenance of a chain of evidence – This principle is related to the case study protocol. A method used to conceptualize evidence collection through a series of steps; the method is also used in increase reliability of the study. We built a protocol to track all the data gathered and make it consistent with the empirical findings within the report itself. This model could be found in appendix A.

2.4.4 Key Informants

Having a data protocol is deemed necessary to visualize the study’s entire data collection. But from whom this information is gathered is the underlying significance. Key informants are often important for the success of a case study, as they provide information and deep insights to a matter and also suggest sources for further supporting evidence. For this case study our key informants have been a critical source of information about market conditions, and competitor movements. Sampling was used as a technique for selecting a suitable representative group that provided the best representation for the entire population, which according to Merriam (1998) is a strategy which calls for a selection of respondents from whom the researcher can learn the most. To obtain the best results our informants have been management level employees, academic persons (engineers) and governmental figures. We felt that they had the most suitable knowledge about the criteria we had to unlock. Although as researchers we did have pitfalls for contacting respondents whose knowledge base
was too vague for our specialized topic. We avoided these situations through conducting a two step interview process. First contact was made over the phone, if knowledge base was deemed suitable for our study; an in-person meeting was established. If knowledge base was un-related or not strong enough for accurate results further contact was discontinued. This technique also helped with future validity.

2.4.5 Observations
When the field research occurred direct observation took place. This is a significant tool, as the researchers senses are involved in physical veracity. Unlike using secondary sources and perceptions of others, direct observation places the researcher to study events in real time and in its real context. For example, through travelling within many cities in Bulgaria and Romania, the appearance for infrastructure building is evident. We clearly see a potential market for installation of updated lighting solutions. An observation is not systematically recorded but aids in the researcher’s interpretations.

2.5 Data Analysis
According to Merriam (1998, 178) ‘data analysis is the process of making sense out of the data’. This is considered a complex process of consolidating, reducing and interpreting the gathered information through constant going back and forth between concrete bits of data and abstract concepts, inductive and deductive reasoning, between description and interpretation. For a case study research Merriam suggests three basic levels for conducting the analysis. The first level includes the chronological or topical sorting, organizing and presenting the data in a descriptive manner. In the next level the analysis moves from the description to the more abstract category construction which is the classification of data into groupings - categories or themes. The final third level involves making inferences, developing models or generating theory. Yin ascribes to “play with the data” until meaning occurs. In our case the theoretical framework and the empirical data was used to analyze the meaningful information that was collected. The ability to jump between both sections allows us to formulate adequate meaning when performing our data analysis. It also stimulates compare and contrast methods when trying to draw out conclusions.
2.6 Quality of the Research

Research has to present valid and reliable knowledge. In order to accomplish trustworthiness of the case study as a whole, we will consider the aspects of assuring and increasing validity and reliability.

2.6.1 Validity

Validity relates to the adapting and translating of theory into reality. The following types of validity could be distinguished.

*Internal Validity*

Internal validity refers to the level of matching and congruence of findings in relation to reality. Therefore, the higher the internal validity, the more strategically important the conclusions and recommendations of the study would be for the case company.

Since ‘data do not speak for themselves’ (Merriam, 1998, 201), the researchers are those playing the role of interpreters of the phenomenon studied. In that respect several strategies can be applied in order to enhance the internal validity. Merriam suggests the usage of triangulation which is using more than one researcher, as well as carrying out checks with people from whom data were derived, repeated observations, peer examination, collaborative modes of research and clear view of the researcher’s biases. In short internal validity plays a very crucial role for the recommendations we give Aura Light on whether or not to enter Bulgaria and Romania and what sort of entry mode they should use.

In our study to increase the internal validity, we have used multiple sources of information and data. During our interviews there was a constant exchange of information between the researchers and the respondents. While taking notes, we asked the respondents to confirm our interpretations and assumptions of data, which can be used as a valid form of information. We also had close contact with the case company which also provided trusted sources of information. In short, we deem our internal validity is high.
**External Validity**

External validity could be viewed as the extent to which the findings of a particular case study can be applied to other situations (cases). Hence, the higher the external validity, the higher the level of generalization is.

Merriam suggests two relevant strategies for enhancing the possibility of generalization of a single case study: *rich thick description* which requires enough description provided by the researchers; *modal category* which describes how typical the phenomenon studied is. These methods allow the readers to make relevant comparisons related to their own situation. Within our investigation we have described the future development of entry into the proposed markets. The proposed external validity is high because our theory, empirical data, and analysis can be applied to some extent to other western companies and industries. The case itself was tailored to Aura Light’s needs and therefore the entry strategy and specific recommendations may not be suitable for other companies unless they operate in the same specialized industry.

**Construct validity**

Yin (2003) introduces this type of validity during the data collection and composition process. It refers to the establishment of correct measures for the concepts investigated in the study. A number of methods are used to enhance the construct validity:

- Using multiple sources of evidence
- Establish a chain of evidence or protocol illustration
- Use key informants and influential figures to review the case study report

In our case, the existing and approved theoretical concepts of Jansson’s external environment as well as Grant’s competitor profiling and Campbell’s customer model were used as a framework upon which data was matched and collected. When choosing our framework for customer analysis we also took into consideration the traditional buying behaviour theory but due to the fact that the models seem more complex for practical application and concentrate only on the buyer’s side without rendering account for the interaction between the supplier and buyer and their possible influence tactics, we decided to choose the relationship marketing approach
of Campbell and the IMP Group which is in accordance with the inter-organizational approach to market research we have conducted. Additionally, triangulation was used to gather data from many sources, thus acquiring legitimacy.

2.6.2 Reliability

From a methodological point of view the term reliability refers to the extent to which research findings are replicable provided another study is conducted. Reliability concerns the data collection process and in order to guarantee the dependability of the data gathered and used the researchers can use the following techniques: triangulation, which here refers to using multiple methods of data collection and analysis; audit trial, which requires the researchers to explain in details how data was collected, categories derived and how decisions were made throughout the inquiries (Merriam, 1998). Regarding our interviews, there may be error in interpretation which concerns reliability. In some cases we had to use interpreters due to a language barrier; this can affect the reliability as some information could become lost in translation. To avoid this pitfall clarification was made through repetition, in order to ensure that the answers stayed consistent. Tape recorders were not used due to cultural norms; therefore by forfeiting this tool reliability could be affected. To combat this handicap both researchers took electronic and written notes. After the interviews data was collaborated right-away into written manuscripts. If any doubts arisen, re-contact of the respondents could be used for clarification. Another aspect that may affect the reliability could arise from our bias to search for or interpret new information in a way that confirms our preconceptions and avoids information and interpretations which contradict prior beliefs. Convincingly this bias was overcome through constant interactions and with the discovery of new viewpoints causing us to reformulate our pre-attained thoughts.

2.6.3 Sources of Error

There are two different kinds of errors that can occur. The first is the systematic error (it concerns the validity of the thesis), which is vital because it can compromise all findings if the researcher used the wrong method when conducting the research. The other type of error is the one of interpretation (it concerns the validity and reliability).
In our case the cause of this error could exist when using interpreters. This act can distort the meaning of our questions since crucial information or key words can be lost in translation. And as usage of a tape-recorder was not approved, we had to rely on verification through repetition, to ensure that the results were the same. In addition, both of us participated in every interview and took electronic and written notes, which were compared immediately afterwards.

The other issue is concerned with the reliability of the secondary sources. In order to avoid this type of error, we have used multiple sources of information from “A” ranked journals, and well known scholarly books which increase the reliability of our research.

2.7 Ethics in Research

All data provided in the study is accurate and true. As researchers we were objective in our analysis, and veered away from any bias. We acted in a professional manner regarding the rights and confidentiality of the respondents. Sensitive data was not used in our thesis.
3. Theory

In this chapter we present the theoretical concepts of our study. The described theories and models of basic institutional and competitor analysis, relationship marketing, organizational buying behaviour and internationalization theories aim at structuring the most appropriate model for analysing the target market segments and developing key success factors before entering a new developing country market.

We begin with the Basic Institutions Model as the general framework for analysing the external environment and product market. Then we proceed with detailed theoretical frameworks for analysing the major actors on the product market (market segments) - the customers and competitors – in order to identify the key success factors for a company entering a new market. In closing, two types of entry modes and nodes are presented as alternative ways for entering new markets.

3.1 External Environment Analysis

Since the focus of the investigation concentrates on developing economies within Eastern Europe, we have chosen to build our theoretical framework around literature that examines the external environment and industrial marketing within developing and emerging markets. Jansson (2007) proposes substantial theories for international business marketing within emerging markets and describes extensive theory for macroeconomic indicators of business systems within transition, and emerging economies.

An organizations’ ability to penetrate and remain competitive in an emerging market highly depends on how the external environment of the MNC is organized. The institutional approach captures major characteristics of emerging economies by dividing society into social groupings based on differences in rules (Jansson 2007). Such groupings form an institution of its own where behaviours follow precise underlying rules. These assorted rules harvest diverse societal levels that are embedded within each other. Based on the research questions of the study the pivotal aspect of the research denotes markets that have transitioned from state - owned to market economies. The former could be characterised as isolated, protected from competition, and shielded from failure, where enterprises were embedded in a set of institutions, for contracting, for financing, and for governance.
Whether the MNC will enter these newly reformed and developing nations embodies the aptitude to adjust its competitive stance and decipher adequate market potential. To perform this amendment, a deep understanding of the macroeconomic institutions is required. To further dissect this connotation Jansson (2007) alludes that institutions are carried over by being studied consciously or unconsciously. An institutional arrangement is chosen and, as a consequence, mediated through participation. Institutions therefore constitute a behavioural repertoire for individuals. They are rigid collectives that largely change independently of what specific individuals know and how they use knowledge. Jansson further describes three major characteristics of institutions which include: first, their rule-like organizing nature, second, their ability to facilitate and constrain the relations among individual groups and third, the level of predictability. The latter refers to the fact that institutions standardize behaviour and transfer rules, norms and ways of thinking between individuals. These factors make institutions excellent instruments for describing, predicting and explaining actual organizational conduct, thereby combating uncertainty and risk.

3.1.1 External Institutional Environment and Organizational Learning

Institutional strength is an important aspect to look at especially when taking into consideration the country’s ability to use domestic (tax income) and external resources (development aid). A poorly functioning public sector may be caused by lack of funds and human resources for managing the funds, and/or misuse of the provided means (lack of structured policies). An evaluation of domestic institutions provides valuable insights into the absorption capacity of the MNC.

Authors Cohen and Levinthal (1990) first coined the term ‘absorption capacity’ to describe the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends. It is used to garner innovative resources and capabilities through an implicit feedback loop of absorptive competence → learning → new absorptive competence. In order to successfully adapt to the changing external environment, an organization has to constantly learn and as Timlon (2005, 41) states ‘coping with change is a core issue of organizational learning’.
Van den Bosch, Volberda, & de Boer (1999) consider that Cohen and Levinthal’s implicit feedback loop is mediated by the environment in which the firm competes and its success in coping with it. They argue that firms facing stable or turbulent environments tend to organize themselves differently and emphasize different ways of combining knowledge. Zahra and George (2000) make a similar point when they argue that effective internal knowledge sharing and integration is the critical part of absorptive capacity.

3.2 . Absorptive Capacity and Inter - Organizational Relationships

To go deeper into absorptive capacity, it could be viewed as a strategically valuable capability because it’s a path dependent, firm-specific, and socially embedded means to use external environments as well as other firms’ knowledge to create a competitive advantage. Furthermore, well developed absorptive capacity lowers the transaction costs of contracting for knowledge-intensive products or services (employing a consulting firm).

Research that examines absorptive capacity in the context of inter organizational relationships can be divided into two main categories. The first focuses on dyadic alliance relationships and how the construct enables inter-organizational learning and positive alliance outcomes such as innovation (e.g. Lane & Lubatkin, 1998; Koza & Lewin, 1998; Ahuja & Katila, 2001; Simonin, 1999; Dyer & Singh, 1998). The second focuses on networks of relationships and argues that firms which are well located in that network are most likely to form more alliances and are also most likely to innovate (Stuart, 1998).

The absorptive capacity is related to the need of understanding the dynamics within an organization which could lead to the ability to recognize, assimilate and utilize useful external knowledge in order to better adapt to new environments. Therefore since the external institutional setting renders robust learning capabilities for the MNC, we will analyze the external environment of the two case markets using Jansson’s (2007) Basic Institutions Model shown in Figure 1.1.
3.3. Basic Institutions Model

Figure 3.1

The Basic Institutions Model establishes the foundation and infrastructure of the domestic market. It represents behavioural patterns throughout society that can be divided into two major networks in which companies and further networks are embedded. The societal sectors that represent the outer third rectangle and the organizational fields that represent the second inner rectangle are major arrangements that facilitate groupings of macroeconomic indicators. Examples of societal sectors are political system, country culture, and professional interest associations; organizational fields normally include the commercial actors of the product/service market, as well as governmental, labour, and financial groupings. For example, the product/service market field can be presented by conducting a thorough analysis of the industry, the forces and rules determining competition. The analysis can be also developed further by dividing this large organizational field into smaller organizational fields such as sub-markets (an industry), or by subdivision according to stakeholder (one competitors’ field, one intermediaries’ field, one customers field’ and one suppliers field).

When using the Basic Institutions Model it is suggested by Jansson to go through four stages; i) identification, ii) description, iii) explanation, iv) prediction. Since the scope
of our research objective is large we will scale down these steps to describing the institutions and analyse in details the product market with external sub-frameworks which will be further presented in the chapter. The used theoretical models are in accordance with the inter-organizational approach to supplier-buyer relationships.

3.4 Organization’s Resources and Capabilities and Inter-organizational Relationships

According to Grant (2008) vital operational strategy is concerned with matching a firm’s resources and capabilities to the opportunities that arise in the external environment. In most common literature, emphasis lies within identification of profit opportunities in the external environment of the firm. Grant stresses emphasis shifts from the interface between strategy and the external environment; towards the interface between strategy and the internal environment. In this context, the concentration of the organization’s resources and capabilities is targeted to combat turbulent external environments and devise a secure foundation for long term strategy. To understand why the resource-based view has had a major impact on strategy assessment, a preceding glimpse for strategy formulation can be considered. Conventionally, firms have answered the question “what is our business?” In terms of the market they serve: “who are our customers?” and “which are their needs we’re seeking to serve?” Grant argues that in a world where customer preferences are volatile and the identity of customers and the technologies for serving them are changing, a market focused strategy may not provide the stability and constancy of direction needed to guide strategy over the long term. The resource based view, by contrast, emphasizes the uniqueness of each firm. It suggests that the key to profitability is not through doing the same as competitors, but rather through exploiting the differences. Establishing competitive advantage involves formulating and implementing a strategy that exploits the uniqueness of a firm’s portfolio of resources and capabilities. In this sense individuals’ resources do not confer competitive advantage, they must work together to create organizational capability.

‘An organizational capability is a firm’s capacity to deploy resources for a desired result’ (Grant, 2008, 135). The major interest in capabilities is to facilitate a competitive advantage though further exploitation of the firm’s resources. It is imperative to build robust relations that can facilitate the firm’s potential. Virtually
all productive activities involve teams of people undertaking closely coordinated actions- typically without detailed direction, and directly through instinctive relations. A focal point when analyzing these relations is to dissect the buyer-seller relationship. This is significant to the major succession of a firm’s operational activities in new and existing markets.

The inter-organizational approach we introduced above, builds on a broad view of relationships, which makes it fundamentally different from most approaches to marketing in general. A significant aspect of this approach is that it further dissects traditional marketing theory as it focuses on the sociological perspective. This is motivated by the fact that differences between industrial marketing and consumer marketing are so large and decisive that another theoretical foundation is required, precisely organizational theory rather than marketing theory Jansson (2007). He describes a theoretical construct that showcases buyer-seller relationship divergent from behavioural patterns. The relationship concerns marketing and purchasing behaviour within the inter-organizational approach. The networks are viewed as clusters of people joined by a variety of links through which they exchange goods and services, communicate by exchanging information and socialize by exchanging sentiment.

3.5 Summary

The Basic Institutions Model is an apposite tool for analysing the external institutional environment especially in emerging country markets which are characterized by high uncertainty and turbulence. When wanting to establish, adapt and successfully operate on such markets, high absorptive capacity is vital to assimilate the external knowledge into the organizations’ internal business operations. The process of this organizational learning requires evaluating and developing internal resources and capabilities, and applying the most appropriate ones in the inter-organizational relationships. Further, the building of organizational capabilities through relationships gives a dynamic approach to innovation and differentiation, where a firm can distinguish itself from other major players on the market.

In order to answer our main research problem and the sub-research problems, we will use the Basic Institutions Model as a general framework for analysing the target developing markets in our study. We will analyse the societal institutions (the third
rectangle of the model), the organizational fields and concentrate on the two major actors on the product market—customers and competitors. The government is to be studied as external institution for the MNC and as its potential customer in the face of municipalities. Finally, we will analyse different entry strategies and come up with the most appropriate one for establishing operations on the three markets. The next part of the chapter presents in detail our sub-framework for product market analysis.

### 3.6 Organizational Field Analysis - Product Market

Customers and competitors are major players on the product/service market and the particular market segments. Each market differs in terms of what motivates customers and drives competition. For example, in stalemated industries such as steel industry where it is very difficult (or almost impossible) to differentiate the products, suppliers usually strive for strong cost positions on the market and customers could be motivated by various factors such as lower prices, delivery terms, payment terms, stronger ties with particular supplier etc. Whereas in fragmented industries such as construction and office furniture competition could be driven by high differentiation and customers could base their choice on better quality, service, uniqueness of the products, highly customized solutions etc. Therefore, the type of market can determine the factors influencing customers’ purchasing decisions and the major competitive advantages suppliers rely on.

Thus, identifying the potential customers, analysing their needs and the way they choose between competing offerings as well as analysing the ways to survive competition, are inevitable prerequisites for pinpointing the key success factors (KSF) for the individual markets (market segments). The KSF are the factors within the company’s market environment that determine its ability to prosper and survive exploiting its core resources.

#### 3.6.1 Customer Analysis

Identifying and meeting customers’ needs and expectations is a fundamental prerequisite for achieving and sustaining competitiveness on the market. Consequently, an analysis of each current or potential customer is necessary to be conducted in concert with the analysis of competitors.
First of all, it is important to make a distinction among the types of organizational customers. Morris (1992) distinguishes three types - commercial enterprises, governments and institutions. The commercial enterprises are divided into original equipment manufacturers, users and distributors. The governments could be divided into state, local and federal governments, as well as domestic and international. Institutional customers are all those usually non-profit organizations that do not fit into the groups of commercial and governmental customers, e.g. hospitals, schools, prisons etc. Since the target market segments of our case study, we will focus on describing and analysing only commercial enterprises and governments including some institutional customers (e.g. hospitals, schools etc.) in the latter group due to a number of similar characteristics they have.

3.6.2. A relationship marketing approach to industrial buying behaviour

Håkansson and Gadde (2002) outline three main trends in buying behaviour of business-to-business customers - outsourcing activities to the supplier, decreasing the number of suppliers used and developing close relationships (in contrast to previous multiple-supplier-relationships) with the suppliers. As mentioned earlier, Håkansson et al. (2002) discusses the importance of the relationship building ability for the successful performance of companies. He views relationships as a means for influencing the other parties in a given relationship and reducing complexity. It is via a relationship that a supplier company can make use of its own resources and activate the ones that can benefit a particular customer. The activation means that the resources of a supplier are oriented towards a specific use and will be tied to the resources of the other party in the relationship. Gadde et al. (2002) further suggest that resource ties are essential since the ability of a supplier to accede to the requirements of a customer is contingent on what resources this supplier has developed over time and how these resources are currently being deployed. Additionally, the supplier needs to carefully choose which competences to focus on as not every customer from its customer portfolio can be handled the same way.

Campbell (2002) expands on the studies of the IMP Group1 and Håkansson on the buyer-seller relationship and develops an interaction approach to organizational buying behaviour. Campbell builds up on the interaction model stressing on the

---

1 International Marketing and Purchasing Group; group members and co-workers – Håkansson H., Turnbull P., Ford D., Gadde L.G., Snehota I. etc.
interface between the two actors on the market – customer and supplier – and discussing the interaction strategies, mechanisms and atmosphere in a two-way exchange. The variables used in the model are product characteristics as well as a set of industry, company and individual characteristics of both the customer and supplier. The interaction process itself is determined by the strategies of the two parties and the interaction mechanisms. The model is presented in Figure 3.2 below.
The interaction strategies Campbell develops on the basis of the classification of buyer-seller relationships he makes (Figure 3.3). Figure 3.3
Source: Campbell (2002, pg. 392)
The interaction strategies Campbell develops on the basis of the classification of buyer-seller relationships he makes (Figure 2.4.).

The three strategies are namely competitive, cooperative and command. The first strategy is prevalent when there are many buyers and sellers on a particular market. When both parties aim at long-term relationships with open exchange of information and trust, the strategy is considered cooperative. Correspondingly, when one party has a dominant position of strength the strategy is called command. Therefore, the independent, dependent and interdependent relationships result from the interplay of these types of interaction strategies. For the different types of purchasing approaches - competitive, cooperative and command - Campbell suggests particular marketing strategies a supplier can exploit.

*Competitive customers* are mainly concerned with price. A careful balance has to be kept between the advantages of differentiating the product by providing additional services and the disadvantage of a price far higher than the market price. These customers can be gained most easily by offering better quality and service at a comparable price by stressing the benefits of multiple sourcing.

*Customers with command purchasing* are also concerned with minimizing their costs. Thus, the essential aspects in gaining new customers are to stress on flexibility, efficiency and personal attention to the buyer’s needs throughout the whole bidding
process. Giving a trial order or special concession could be an apposite winning move as well.

Cooperative customers are primarily concerned with long-term relationships based on trust, mutual dependence and shared objectives. Since these customers favour such relationships, it is important that a new supplier offers a significant price reduction or a highly innovative product the existing suppliers cannot match. It is essential that the supplier is well familiar with the characteristics of the customer in order to assess the probability of change in the buying preferences.

To go deeper into the interaction process from the buyer’s point of view and better evaluate the buyer’s characteristics other variables can be applied. Håkansson (2002) introduces three uncertainty variables which a customer may face:

- Need uncertainty - this refers to the difficulty a customer faces in specifying its requirements, especially when the latter are new or complicated. This situation the author calls the ‘FDU factor’ (fear, doubt and uncertainty). Such customer usually prefers better quality and functionality rather than lower price and a supplier with whom it has had a relationship or one with strong reputation or abilities. It also tends to have complex internal and external communication structures involving different specialists in the decision making process which is thus quite time consuming.

- Market uncertainty - this refers to the way a customer views its suppliers as source alternatives. The degree of market uncertainty depends on the degree of difference among suppliers (heterogeneity) and how these differences change over time (dynamism). When both heterogeneity and dynamism are large there are reasons for caution in developing extensive relations from buyer’s point of view. Usually a customer with high market uncertainty has highly specialized decision-makers and is willing to use several suppliers and not engage in very close relations with any of them.

- Transaction uncertainty - this refers to the difficulties a customer can have in acquiring the products as well as various cultural differences between the customer and supplier. The more standardized the products and procedures, the less transaction uncertainty would be. A customer with such uncertainty tends to have multiple parallel suppliers from which to choose before the final decision and change among them frequently as the need arises or just
concentrate on a single close relationship with a given supplier seeking to improve the offering package.

These uncertainties do not remain constant and normally increase or decrease over time. In order to take advantage of the different uncertainties and influence them in the preferred direction, the supplier can manipulate the uncertainties and/or apply its abilities. The manipulation of customer uncertainties is related to the aim of increasing or decreasing the uncertainties. For example, the case of strong relations between a potential customer and a competitor requires the new supplier to ‘break’ these relations in order to establish new ones and the most preferable influence tactics are the increasing of perceived need and market uncertainty.

The use of abilities Håkansson divides into problem-solving ability and transfer ability. The first enables a supplier to come up with the right solution to a particular customer problem and is especially useful in situations of high need or market uncertainty. The transfer ability enables a supplier to provide a solution quickly, easily, consistently and at a promised cost, and are generally getting more important for customers whose need and market uncertainty decline.

In order to have the capability of using these influence tactics, a supplier needs to be committed to adapting, learning and investing (both tangible and intangible resources) in the development of each customer relationship since the latter varies depending on the extent of the two parties’ need, willingness and ability to learn.

3.6.3 Governmental (public) Customers

This group of customers include all ‘governmental units - federal, state and local-that purchase or rent goods for carrying out the main functions of government’ (Kotler, 1988, 227).

The government buyers are numerous since separate purchases are usually made by each local or central governmental agency individually. State and local buying agencies include school districts, highways, hospitals etc. which is why parenthetically this customer group overlaps with the institutional customers group mentioned before.

Generally, government units’ procurement policies target lower-cost suppliers meeting the stated requirements. Kotler (1988) introduces two types of government buying procedures in order to reach maximum cost efficiency: open bid and
negotiated contract. The former is associated with bids at which the government invites qualified suppliers and awards a whole project. Whereas in negotiated-contract buying the responsible government agency directly negotiates with one or more companies a contract covering the project and terms.

The different individuals engaged in the buying decisions and the various requirements of the separate agencies and departments make generalisation of buying behaviour difficult. Though factors and characteristics affecting the buying decisions of business customers could be applied to governmental ones, many specific features need to be taken into account. Elaborate highly bureaucratic procedures, regulations, public monitoring and various social criteria have a potent impact on the final purchasing decisions. Therefore, a cautious study of this type of customers is a high necessity especially in the case of our developing country markets where the bureaucratic machine is considered less efficient, corruption is high and government decisions are less predictable and not always based on economic rationality.

3.6.4. Competitor Analysis

Given the fact that every company comprises a unique set of resources and capabilities, there could be no ‘generic strategy’ applicable to every competitor in a particular market respectively sub market (Grant, 2008). Therefore, a crucial aspect of a product market analysis is the competitor analysis conducted for every competitor separately. The model for analysing competitors introduced by Grant (2008) consists of four steps and leads to the important predictions a firm can make for the competitor behaviour in the industry (Figure 3.4.).
Identifying the competitors’ strategies

A focal point in analysing potential competitors and forecasting their future moves is the analysis of their current strategies. As apposite sources of information for the latter could be considered the official company’s statements of strategy intensions, documentation and evidence of resources’ commitment. Generally, the more the strategies of two companies resemble each other, the more they compete.

Determining the competitors’ objectives

The possibility for a company to predict future changes in the competitors’ strategies is determined to a great extent by the knowledge it has for its competitors’ objectives. These goals could be oriented towards financial, market or technological leadership and be associated with different hierarchal levels – corporate, business and functional strategies. The current performance in relation to the objectives witnesses the future likelihood of strategy change.
- Determining the competitors’ assumptions

The strategic decisions of a competitor are conditioned by the perceptions it has of itself, the industry and business in general. These perceptions could even become very strong beliefs that lead senior managers in their strategic planning for many years.

- Assessing the competitors’ resources and capabilities

This step of the analysis refers to assessing the ability of competitors to carry out their strategies and accomplish their goals. This ability to manage effectively is determined by their resources and capabilities. Therefore, a company should be accurately familiar with its competitors’ strengths and weaknesses in terms of market and finance power since the strengths define the essential organizational capabilities of a firm. As competitive environments are highly dynamic, the ability (or disability) to swiftly adapt and mobilize is a significant indicator for a competitor’s resources and capabilities.

On the basis of these features, predictions can be made about the future development of the competitors – how their strategy might change and eventually how to counteract particular competitive moves.

The core essence of a competitor analysis is improving the ability to predict competitor behaviour and even to influence this behaviour to the firm’s advantage. Taking into consideration the fact that our case company Aura Light is not present on the markets covered by this study and has no knowledge about potential customers and competitors, we will follow the model in details for each target market in order to better formulate character of the local competition.

3.7 Summary

It could be summarized that being well aware of the respective needs, uncertainties, characteristics and purchasing strategy of the customer is the fundamental prerequisite for choosing the most appropriate capabilities a supplier can use so as to achieve the desired impact on the development of a particular relationship. Looked upon from the point of view of a supplier, who aims at establishing stable long-term relationships on a new market, the initial stage is to conduct a thorough research and obtain such
knowledge about its potential customers so that it could be able to further develop these relationships. Although Aura Light has no current presence and existing contacts with customers on the case country markets, its aim is to successfully establish on these markets and exploit the available opportunities. And the only way for a sustainable business in the long run is through establishing, sustaining and developing relationships with customers as well as accepting their needs as a problem-solving behaviour, exchanging social values and information and demonstrating commitment to and credibility with the other party. Hence, we consider the relationship marketing approach to organizational buying behaviour an appropriate framework for our study since it is also in accordance with the general inter-organizational approach to market research we have conducted and the Basic Institutions Model. We will focus on the needs and product requirements, industry, company and individual characteristics, the uncertainties and interaction process of potential business customers in the three target market segments – oil and gas, heavy industry and public lightning. Additionally, we will analyse these aspects of potential governmental customers in the public lighting segment. However, as far as buyer’s characteristics are concerned, due to the aforementioned specific features of this type of customers, we will not follow the exact same pattern – industry, company and individual characteristics- but rather stress on the needs and product requirements, interaction processes and contact patterns, uncertainties, regulations and bureaucratic procedures.

Following the systematic step model of Grant for analysing competitors we will examine the strategies, objectives, assumptions, resources and capabilities in order to formulate predictions and have a detailed view of the nature of competition on the target markets.

On the basis of the external institutional, competitor and customer analysis, an evaluation of the key success factors and most suitable strategy for entering new markets could be made. The next part of the chapter outlines two types of market entry strategies.
3.8 Market Entry Strategy

The different market entry modes could be summarized in the following major groups:

- Indirect Exporting – piggybacking, trading companies, export management companies, domestic purchasing
- Direct Exporting – distributors, agents, direct marketing, franchising, management contracts
- Cooperation strategies – joint ventures, strategic alliances
- Direct Investment – own subsidiary, acquisition, assembly

The entry nodes refer to the establishment points – whether the company will establish relations directly with the customers or indirectly via an intermediary (e.g. a distributor or an agent). In the latter case, the entry node is also an entry mode (Jansson, 2007).

The strategic approach of Aura Light so far has been to enter foreign markets either through a distributor or through an own sales subsidiary. In addition, taking into consideration the corporate decision of maintaining production only in Sweden limits us to few options of entry modes. Therefore, we will focus in details only on ‘distributors’ and ‘own subsidiary’ as entry mode opportunities.

Own subsidiary refers to a local legally independent sales office of the mother company. This mode requires bigger investments and risks, but in the meantime gives bigger control and revenues for the mother company.

Distributor (industrial distributor) is a local independent sales organization that takes title and maintains inventories of specialized or diversified products and resells them at a margin above its cost. Usually distributors also offer credit terms, provide assembly and after-sales and maintenance services (Morris, 1992). The major advantages of using this entry mode are the use of local knowledge and skills, well established and operating networks as well as lower level of technological risks and resources invested. However, the control of the company is lower in direct exporting compared to direct investment (Luostarinen J.P., 2005).
3.9 Summary and Personal Research Model

This chapter has provided the theoretical fundaments of our thesis. In order to solve our main research problem how a highly-specialized Swedish multinational company operating in the lightning industry can successfully enter Bulgarian and Romanian markets, the empirical and analytical parts of the case study will be structured according to the following theoretical concepts:

- The Basic Institutions Model (Jansson, 2007) will be our general framework according to which the most influential societal institutions and organizational fields in the target markets will be described and analysed namely legal system, professional and interest associations, cultural institutions, labour and financial markets, governmental networks. This will lead us to the answer of the first research question about the specificity of the external institutional environment of the target markets.

- Further in the model we will concentrate on the major organizational field – the product market- where potential customers in the target segments will be described and analysed following the relationship marketing approach towards buying behaviour and customer-seller relations. The conceptual framework of Håkansson and the IMP Group will be applied according to which the needs and product requirements, characteristics, uncertainties and interaction processes of potential customers will be studied and as a result an interaction supplier strategy in each case will be formulated. Local governments will be looked upon as potential customers and thus this organizational field will be studied in details as a part of the customer networks. These will direct us to the answer of the second research question.

- Grant’s (2008) theoretical model for analysing competitors will be used to investigate the major competitors on the case markets. On the basis of the analysed strategy, objectives, assumptions and resources and capabilities, predictions will be made to help us respond the third research question about the character of the competition on the target markets.

- Throughout the systematic analysis of the external for the MNC environment we will analyse to what extent the reality matches the internal company environment and how the MNC can improve its capacity to more efficiently learn, adapt and apply the right resources and capabilities in order to build
stable relationship networks. This is the key to successful establishment and differentiation on a new market.

- The analysis based on the theoretical frameworks and the empirical findings will be the ground for a proper evaluation of the most suitable modes and nodes for entering the new markets. The theoretical concepts of direct (own subsidiary) and indirect modes (distributor) will be taken into account. This will guide us to the solution of the final research question for the successful market entry of the MNC.

We have combined and adjusted the theoretical models presented in the chapter in our own research model illustrated in Figure 3.5 that we will adhere to in the next two chapters of the study. Further on theoretical conclusions and recommendations for the case company as well as possible generalizations will be presented in the final chapter of the thesis.
How a highly-specialized multinational company operating in the lightning industry can successfully enter Bulgarian and Romanian markets?

What is the external environment on the target markets?
What is the customers’ and buying behaviour and how it can change?
How does competition appear in the target markets?
How can the company establish operations on the target markets?

Societal Institutions

Product Market

Customer Profile

- Needs and Product Requirements
- Characteristics
- Uncertainties
- Interaction Process

Competitor Profile

- Strategy
- Objectives
- Assumptions
- Resources and Capabilities

Key Success Factors

Company A

Market Entry Strategy

Analysis

Conclusions and recommendations
4. Empirical Study

In this chapter we present the case company Aura Light and the empirical findings from the field research done on the two target markets - Bulgaria and Romania. We begin by describing the current profile of Aura Light and continue with the external environment in the target countries, the specifics of the product market there and its two major players – customers and competitors. The focus is on big multinational competitors and small local companies as well as public and private potential customers. The information presented in the chapter is a result of secondary and primary data gathered during the conducted field research.

4.1 Internal environment – the case company Aura Light

Aura Light International AB, part of the Aura Group, is owned by FSN Capital. The headquarters are in Stockholm and production is located in Karlskrona, Sweden, with other sales offices in Finland, France, Germany, Holland, UK, and Norway. The organization also has distributors in Australia, Belgium, Ireland, Italy, Poland, Switzerland, USA, Dubai etc. Main customers segments include Natural Resources, Infrastructure/Road& Rail, Infrastructure/Subway, Airports, Real Estate (Warehouses), Clean Rooms, Signage, Food and Beverage, and General Production.

Strategy

Aura’s strategy is to develop, manufacture and sell quality light sources within their unique concept of Long Life Lights. The concept holds their patented solutions distinguished by light sources with extra long life that is marketed to selected professional end-users who value the unique quality and service and the opportunity to create long term relationships with the company.

Objectives

The company’s objective is to create and promote efficient environmentally friendly lighting solutions for the advancement of human comfort, health and safety thereby supporting efforts leading towards the reduction of energy consumption and CO2 emissions. In order to grow faster, the company aims at further internationalization to other new countries. The short and mid term goals of Aura are to expand into
Bulgarian and Romanian markets with the underlying support of their vision, mission and experience so far.

**Assumptions**
Aura assumes it could expand its market share on the target markets through focusing into different market segments where customers are interested in eco lighting and long life solutions despite the higher price (quite higher than competitors’ substitutes). The presumption is that due to the arising environmental and energy efficiency concerns the European market offers a lot of potential. In the European Union (EU) one third (33%) of all lamps currently installed are efficient and two thirds are energy inefficient.

**Resources and Capabilities**
In close partnership with customers in various sectors worldwide, Aura has the ability to listen to and understand the customers, quickly and efficiently to provide high quality and innovative lightning products tailored to individual customer needs. The MNC currently has no active resources or capabilities on the proposed markets, as it wants to decipher the most suitable way to enter them.

**4.2 External Environment**
Bulgaria and Romania joined NATO in 2004 and the EU in 2007. Currently the two countries are very fast developing economies with GDP growth of 6, 5% for the period 2003-2007. The countries are ranked among the three most attractive FDI destinations in Europe. Despite the general positive outlook of these burgeoning economies, investors need to consider many external societal factors before entering in order to avoid the potential pitfalls which still exist. Therefore, in this part of the description the identified factors of external societal influence will be described from an institutional point of view, narrating the rules, values and norms that determine the country’s behaviour. The institutions are divided into organizational fields and societal institutions according to Jansson’s (2007) Basic Institutions Model outlined in the theoretical framework.

---

2 Statistical data from UNCTAD and WTO
4.2.1 Bulgaria

Bulgaria's commercial climate offers political stability, strong economic growth, a highly qualified work force, strategic location and low costs. While the domestic market is relatively small, Bulgaria is an excellent launching pad for sales into Russia, Turkey and the Middle East.

Political System

Following the removal of long time communist leader Todor Zhivkov in 1989, Bulgaria has been a parliamentary republic ruled by a democratically elected government. A new constitution was enacted in 1991, which lays out the basic rights and obligations of citizens and is the basis for Bulgaria’s legal system. The constitution guarantees freedom of association including the right to form political parties. The constitution also provides the separation of powers amongst the executive, judicial and legislative branches and a system of checks and balances. The President is selected by popular vote and is the head of state. He may serve for a 5-year term with the right to one re-election.

Legal System

The Bulgarian judicial system limits investor confidence in the courts’ ability to enforce ownership and shareholders rights, contracts, and intellectual property rights. Since EU accession many amendments are being implemented to fill the gaps that exist within the system. In a new effort to strengthen judicial independence and accountability the Parliament passed in 2003 amendments to the Constitution which limited the immunity of the magistrates, extended the period for getting tenure, and introduced a 5-year term in office for judicial heads. Further Constitutional changes, aimed at implementing judicial reform, were passed in March 2006, though concerns remained that some of the provisions' ambiguity might impact the independence of the judiciary. Parliament is currently considering another set of constitutional revisions as well as a new Judicial Systems Act, intended to increase further the efficiency of the court system and help prevent judicial corruption. The latter remains a serious problem with public opinion polls indicating that bribes are most commonly paid in the justice sector.
Professional and Interest Associations

Bulgaria receives a lot of funding from world organizations such as the World Bank, Sida, the European Bank for Reconstruction and Development (EBRD) etc. The latter focuses investment efforts in projects which support municipal infrastructure, public and private sector development in energy and small to medium-sized enterprise (SME) development. It also deals with energy efficiency and renewable energy sources. As of January 1st 2007, EBRD has signed 105 projects in Bulgaria, totalling over €1.4 billion. This has helped to generate an additional €4 billion from other sources through providing liquidity. A total of 80% of investments from the organization go to private sector.

Almost every science and research center, industry, public sphere have their professional association which have considerably developed the last few years collaborating with and being sponsored by world organizations and particular Bulgarian ministries. On a national level there are two major syndicate organizations and four major employers’ organizations including representatives from the different industries. The employers’ organizations are in close collaboration with the Bulgarian International Business Association (BIBA), Bulgarian Chamber of Commerce and Industries (BCCI) etc.

ENEFFECT is the Bulgarian Centre for Energy Efficiency - a non-profit organization founded in 1992 in Sofia in response to the acute need of energy conservation in all spheres of public life. Today the centre is a part of a wide network of similar organizations worldwide and its main activities are to support the governmental policies in the energy sector and the energy investments, to train, support and consult private and public organizations towards energy efficient activities. Eneffect releases and publishes on its website monthly information bulletins and organises seminars, workshops, training courses etc. The organization is sponsored by funds from the Bulgarian government, Austrian and Swiss governments, US and Canadian Consortiums, World Bank etc.

In the sphere of public lighting energy efficiency is around 25% and the service life of the lighting sources in the streets and parks is still low. Major projects starting the second half of 2008 and ending in 2012, target full change of the installations, corpuses and fluorescent lamps in the cities. The municipalities will be given 100%
EU grants during an infrastructure campaign. Major factors influencing the purchasing of lighting sources are price and quality. However, quality seems to have stronger impact in big industrial projects. As Kamen Simeonov\(^3\) said:

‘12% of all lamps in Bulgarian households are energy efficient and once people buy they continue….. High quality products need to give a good first impression’.

*Country Culture*

Professor Marko Semov, a famous Bulgarian writer and journalist, compares Bulgarian national character to ‘volcanic magma, never the same form or shape, yet always remaining the same in essence’.

Using Hofstede’s cultural dimensions - power distance, individualism, masculinity, uncertainty avoidance, and short term orientation - Bulgaria can be described as culture that has a low uncertainty avoidance ranking, which indicates that “the society accepts more rapidly change and takes more and greater risks”, and is less rule-oriented. It also has a short-term orientation, as long-term traditions and commitments are not impediments to changes. High power distance index reflects presence of inequality of power within society and less deference to authority figures. Low individualism expresses the collectivistic nature of society with close tights between individuals which is a feature left from the communism. However, nowadays collectivism seems to decrease in favour of individualism. Masculinity in Bulgaria is high but strong gender differentiation is not present.

The normative dimension of the country culture could be analyzed on the basis of Hampden-Turner and Trompenaars’ dimensions of cultural diversity. Bulgarians do not tend to be very particularistic and communitarian as relationships, personal networks, cooperation and trust are important but meanwhile legal contracts and individual competitiveness are also essential. Responsibility at work is more specifically assigned than diffusely accepted and status is more ascribed than achieved. These values seem to be deeply rooted to the socialist time when power and status were linked to the connections one had, to the age and sex. However, the opposite tendency seems to prevail at multinational companies in Bulgaria. There is a tendency towards being more outer-directed than inner-directed as people follow

\(^3\) Expert Engineer at Eneffect Consult
many informal rules such as bribery and thus examples and influences are located outside the individuals. Bulgarians are also considered to accept time as synchronous rather than sequential meaning that time is not perceived as a race along a set course but more as a gradual and coordinated process.

As far as the regulative cultural dimension is concerned, the paternalistic authority and informal sanctions are present since formal enforcement mechanisms are not so strong mainly due to the still unstable and unclear legal system.

**Business Mores**
Corruption is still perceived to be influential in business decision-making as well as among the gravest problems in Bulgaria’s investment climate, despite the Bulgarian government’s numerous advances in laws and legal instruments. Bulgaria ranks 57th among 159 countries included in Transparency International’s (TI) Corruption Perception Index for 2006, down two places from 2005. Personal relationships, kinship and political interests also play important role in the business morale of Bulgarians.

**Product Market**
Many specialists’ look at Bulgaria as a heaven for the product and service markets. Its strategic geographical location offers a gateway to other burgeoning economies like Russia, and the Middle East. Also the country’s accession into the EU creates an atmosphere for lucrative investment. Foreign investors that want to capitalize on these markets have large opportunities providing that they are aware that quality, price, payment conditions and warranties are critical factors for success in Bulgaria’s product/service markets. The concrete lighting market will be further described in details.

**Labour Market**
Bulgaria’s workforce officially consists of 3,281,600 highly educated and skilled men (53 percent) and women (47 percent). Adult literacy rate in Bulgaria is 98 percent. A high percentage of the workforce has completed some form of secondary, technical, or vocational education. Many Bulgarians have strong backgrounds in engineering, medicine, economics, and the sciences, but there is a shortage of professionals with Western management skills. The demand for skilled managers will increase with the advent of high technology, innovative and knowledge-based companies from EU.
The aptitude of workers and the relative low cost of labour are considerable incentives for foreign companies, especially those that are labour intensive, to invest in Bulgaria. Employer tax obligations and benefits (clothing allowance, bonuses, etc.) can add more than 50 percent to the nominal wage.

**Financial Market**

The Bulgarian stock exchange lacks attractive securities and faces low liquidity. Its banking system denotes stronger qualities due to some reformation since its virtual collapse in 1996. There are 35 commercial banks, with total assets of 16.4 billion BGN or 43 percent of the projected 2004 GDP. Approximately 50 percent of bank assets are concentrated in three banks: Bulbank, State Saving Bank (DSK), and United Bulgarian Bank (UBB). The Bulgarian currency is fixed to the EUR (1EUR=1.95583BGN). On the whole, the financial system in Bulgaria is stable and well developed. VAT is 20%, individual income taxes are flat at 10% and corporate tax is 10% as well.

**Government**

Bulgaria has a liberal foreign investment regime; a top government priority is to attract foreign investment. The government focuses on developing promising sectors of the economy for foreign investment, including energy, information technology, transportation, tele-communications, and agriculture. Bulgaria provides considerable incentives for job creation. Many municipalities are prepared to grant concessions or other favourable treatment for significant investments.

**4.2.2 Romania**

As a new member of the European Union beginning in January 1st, 2007, Romania enjoys real competitive advantages that recommend it as an attractive market for foreign investment and exports. It encompasses one of the largest customer markets in the region driven by a steady economic growth and accompanied by a rising consumer demand and falling inflation. The accession to the European Union in 2007 ensures a good anchor for future consumption and investment growth. Despite these very promising factors instability still exists within the country’s budding economy.
Political System

The political system of Romania has shifted from a communist regime to a capitalist society; a shift that was violently commanded in the 1989 Romania Revolution through mass riots and the execution of the president. Today the apparatus of the old regime still distorts the image of a total free market society. The Constitution of Romania is based on the Constitution of France's Fifth Republic and was approved in a national referendum on 8 December 1991. A plebiscite held in October 2003 approved 79 amendments to the Constitution, bringing it into conformity with the European Union legislation. Romania is governed on the basis of multi-party democratic system and of the segregation of the legal, executive and judicial powers. The Constitution states that Romania is a semi-presidential democratic republic where executive functions are shared between the president and the prime minister. The President is elected by popular vote for maximum two terms, and since the amendments in 2003, the terms are five years. The President appoints the Prime Minister, who in turn appoints the Council of Ministers.

Legal System

The Romanian judicial system continues to be slow and bureaucratic. The widespread unruly behaviour that exists in the Romanian legal system suffers from corruption, inefficiencies, lack of competence and excessive workloads. Divergent and often contradictory rulings have alienated both investors and ordinary citizens and discredited the Romanian system. Companies routinely complain that commercial disputes take too long to resolve through the court system and once a verdict is reached, court orders are not enforced. Errors in court procedures, whether peripheral to the outcome or not, may result in complete retrials, further delaying verdicts. Clerks, attorneys and judges reportedly remain susceptible to bribes or other "extra-judicial" payments, most commonly to "speed up" litigation or to assure a particular judge is assigned to the case. Courts are overburdened and the number of magistrates and judges too small. Litigants in virtually all cases have a right to two appeals, contributing to clogs in court dockets throughout the system and lengthy delays; therefore, avoiding conflicts of any type is the best policy.
Professional and Interests Associations

In Romania EBRD is the largest institutional investor in nation, the organization invests in both the private and public sectors in areas such as power, transport, municipal infrastructure and financial institutions. Major donors include also the European Commission, Regional Environmental Center for Central and Eastern Europe, and the World Bank. At the end of 2007, EBRD has signed 248 projects in Romania, totalling over €3.5 billion. This has helped to generate an additional €6.4 billion from other sources through the ability to provide liquidity. In recent years many local organizations are beginning to rise up as well, in order to facilitate useful projects in developing sectors of the Romanian society.

Recently the environmental movement in Romania seems to represent the most dynamic and coherent part of the non-profit sector, at least in terms of activities conducted and coalitions established. Since 1990, environmental NGOs have constantly promoted networking, and some have reached distinguished levels of organizational development in their movement toward self-sustainability. GSF Romania is a well know NGO in Bucharest. The organization executes international projects, particularly in the environment sector, and often in close cooperation with EU consultancy companies. With a yearly budget of 100,000 Euro their priorities of work include; environmental education environmental impact assessments, environmental legislation, environmental policy making, energy, and public participation.

There are numerous professional associations in the different industries and public spheres, science and research centers. Currently, 13 employer confederations exist at national level attempting to achieve greater cohesion. The labor unions are also getting stronger the last few years especially due to the problems with shortage of skilled labor (the greatest difficulty worldwide according to Manpower Inc. data).

 SOCER - The Romanian Association for Energy Efficiency – a non-profit organization founded in 1990 in Craiova as a professional body consulting and assisting state and local authorities, public institutions, state and private companies from various economic sectors. Socer publishes brochures, guides and catalogues several times per year as well as organizes conferences, seminars, workshops, technical exhibitions and training courses. The Association works closely with a
number of international organizations as well as with governmental organizations in the sphere of energy efficiency including lighting.

‘Efficiency in lighting accounts for only 10% of all energy efficiency’.

Prof. Ion Mircea, President of Socer

In lighting price is still an important factor. However, far more important for both private and public entities, is the whole package offered. As the Vice President of Socer Ovidiu Marinescu concluded:

‘Think of everything – find the balance between price, quality and management’.

Country Culture

When analyzing the cognitive dimension of Romanian culture, Hofstede’s cultural dimensions can be applied - power distance, individualism, masculinity, uncertainty avoidance, and short term orientation. Romania tends to be a culture that has a low uncertainty avoidance ranking, which indicates that “the society accepts more rapidly change and takes more and greater risks”, and is less rule-oriented. It also has a short-term orientation, as long-term traditions and commitments are not impediments to changes. Other indicators are: high power distance index reflecting presence of inequality of power and health within society, less deference to authority figures. Low individualism expresses the collectivistic nature of society with close tights between individuals. Romania’s high masculinity points out a high degree of gender differentiation.

The normative dimension of the country culture could be analyzed on the basis of Hampden-Turner and Trompenaars’ dimensions of cultural diversity. Romanians do not tend to be very particularistic and communitarian as relationships, personal networks, cooperation and trust are important but meanwhile legal contracts and individual competitiveness are also essential. Responsibility at work is more specifically assigned than diffusely accepted and status is more ascribed than achieved. These values seem to be deeply rooted to the socialist time when power and status were linked to the connections one had, to the age and sex. However, the opposite tendency seems to prevail at multinational companies in Romania. There is a tendency towards being more outer-directed than inner-directed as people follow many informal rules such as bribery and thus examples and influences are located outside the individuals. Romanians are also considered to accept time as synchronous.
rather than sequential meaning that time is not perceived as a race along a set course but more as a gradual and coordinated process.

As far as the regulative cultural dimension is concerned, the paternalistic authority and informal sanctions are present since formal enforcement mechanisms are not so strong mainly due to the still unstable and unclear legal system.

Business Mores

Romania had the lowest ranking of any EU member state in Transparency International's 2006 corruption index. Foreign firms have complained of government and business corruption in Romania. The customs service, municipal zoning offices, local financial authorities, and other bodies are influenced to some degree by corruption. In some cases, demands for payoffs by mid- to low-level officials reach the point of harassment. Romanian law and regulations contain provisions intended to prevent corruption, but enforcement is generally weak. Additionally, the business morale is highly influenced by the personal ties of individuals and interests of the political elite which very often turn out to be the dominant factor in strategic decision making situations.

Product Market

Quality, price and payment conditions are critical factors for success in Romania's business environment. The Romanian market, like all former East-European markets, is still cash poor.

Product pricing is influenced by existing competition in the Romanian market, as well as by the liquidity of the market. With respect to common consumer goods, price is sensitive, and competition can be fierce, as local producers compete with products from China, Southeast Asia and Turkey. In the case of higher quality goods, the reputation of brands as well as technical specifications or length of guarantee may determine success in the market. The lack of exposure to western practices left a legacy of indifference to after-sales service, which is gradually being changed, at least in the case of large multinationals operating in Romania.

Romanian consumers are more and more sensitive to the quality of after-sales services in making their buying decisions. Legal provisions regarding sales, service and customer support are currently in line with European Union provisions. The product market will be further described below.
Labour Market
Like many other Eastern European countries Romania is facing a population diminution, but its labour potential is still high and under-used. Currently the nation can be viewed as an attractive source of younger, high-skilled and relatively cheap labour. Despite this Romania is expected to face, especially since 2000, a gradual decrease in the national labour resources, showing major imbalances by age group (In 2000, the elderly exceeded the young population in number and Percent), which may cause demographic, economic and social conflicts. The dramatic change in the populations profile compared to its developed counterparts causes alarming economic and social troubles. A society harvesting less young people and more elderly with an unawareness to ensure self-generation and the latter wealth, becomes a pressure factor with unpredictable consequences. (Dr. Vasile, 2004).

Gro Harlem Brundtland, former Director General of the World Health Organization shows deep concern about the possible international implications of population ageing in developing nations like Romania under the pressures of different economic, and social conditions.

“While the industrialised nations first became richer and then older, the developing countries are becoming older before getting richer.” (Brundtland, 1999)

This factor could not only affect Romania’s short to long term labour resources, but foreign investments as well.

Financial market
The Romanian Banking sector is organized as a two tier system with the national bank acting as an independent central bank. National Bank of Romania (NBR) set up back in 1880 is a public independent institution subordinated to the Romanian Parliament having a fundamental mission ensuring and maintaining the stability of prices. In Romania the commercial banks are responsible for banking transactions mainly in the areas of financing, investment and payment operations. Encouragingly, the financial sector is in good financial shape and communication between the various commercial banks and central bank are positive. Over the next five years, deepening trade, financial and institutional integration within the EU will gradually bolster Romania's ability to withstand potentially destabilizing capital flows and other external financial shocks. The Romanian currency is not fixed to the euro (1EUR=3.6846 RON as of
22nd May 2008) which leads sometimes to volatile rates (approximately 20% fluctuations for 2007).

As far as taxes are concerned, there are no significant changes in 2008 in comparison to previous years- the VAT is 19%, individual income taxes are flat at 16% and the corporate tax is 16% as well.

**Government**

Romania has a laissez-faire foreign investment regime, especially since accession into the EU. A significant step forward taken for improving the relationship with the investors is the establishment of a governmental agency in charge with attracting and maintaining the contact with foreign investors in Romania. This is the Romanian Agency for Foreign Investment (ARIS). The government’s objectives include increasing the investment volume in Romania, to actively promote investment opportunities and to offer professional services for foreign investors, all along the investment cycle. Using these tactics the Government is trying to shed its poor reputation when it comes to transparency.

**4.3 Product Market**

In this subchapter we will present the primary and secondary data gathered for the two major players on the product markets of Bulgaria and Romania- competitors and customers.

**4.3.1 Customer Profile**

Following the general inter-organizational approach to market research we have conducted in the theoretical framework, we will describe the needs and product requirements, characteristics, interaction process and uncertainties of potential business customers in the three target market segments – oil and gas, heavy industry and public lightning. Additionally, the needs and requirements, interaction processes and contact patterns, uncertainties, regulations and bureaucratic procedures of potential governmental customers in the public lighting segment will be presented.
Customer Profile – Bulgaria
The information presented in this sub chapter is gathered from the personal meetings with representatives of companies and municipalities in Bulgaria⁴.

Private companies
Oil and Gas industry
Industry characteristics
The major players in the Bulgarian oil and gas industry are Lukoil Bulgaria, the Bulgarian company Petrol AD, the Austrian OMV, the Dutch Shell and some other smaller players in the petrol stations business. Lukoil, the former Neftochim has been a daughter company of the Russian giant Lukoil since 1999. The company is a leader in the production, distribution and trade with oil, oil products, oil chemicals, polymers and fuels in Europe and the USA as well. Additionally, the mother company Lukoil is a dominant petrol company on the Russian and Romanian markets.

Company characteristics
Lukoil is definitely the biggest company in the oil and gas sector, owning the biggest refinery in Bulgaria (the biggest in Central and Eastern Europe) situated near the city of Burgas as well as the majority of gas/petrol stations throughout the country (over 180) targeting to increase the number to 300 by 2010. The higher level management is Russian and the prevailing cultural norms and traditions within the company’s divisions are influenced by the Russian management style. Physical access to the refinery, relationships with suppliers and business partners are subject to strict rules and long procedures. Various means of communication and business interaction are done in Bulgarian and Russian languages. The organizational structure is very hierarchal. The types, number and brands of lighting sources are chosen by the Fire and Emergency Safety Department. The decision is to be approved by the Construction Department after which handed to the Procurement in order to execute the orders. The decision, from which distributor (local store) to purchase is made by the company buyers.

⁴ A detailed questionnaire is exemplified in the Appendix.
Individual characteristics
The people engaged in the physical purchases of the lamps are procuring all other materials needed in the refinery (respectively the procurement department for petrol stations buys centrally all needed products for the latter) and have a wide network of suppliers that they can choose from. There are numerous lamps distributors throughout the country, the choice is easy and quick and based on their own preference.

Needs and product requirements
The number of lamps supplied is roughly 5000 pieces every three months and the types of lamps used are mainly explosion protective due to the critical conditions in each division of the refinery. Specific documents are required for each type of lamp such as explosion proof certificates, signed declarations from the relevant Bulgarian ministry, fire and safety warranties etc.

The practice is to purchase starters, ballasts etc. additional equipment from the same supplier along with the lighting sources. The delivery and maintenance of the lighting sources are provided by two external companies (Pemio and Balkani) on a contract basis. The two major lamps suppliers are CEAG and General Electric.

As far as price issue is concerned, the interviewed engineer from Lukoil Ivan Popov commented:

‘We are generally price sensitive. We value high quality but also the reasonable price’.

Uncertainties
The company has internal technical specialists with different background and qualifications and does not have difficulties in the choice of suppliers, type of products and transaction policies.

Interaction process
The purchases follow a regular pattern – an order is placed, prices excluding VAT are negotiated, an immediate supply occurs along with all needed documents and payment is 45 days after placing the order. The daily information exchange is mostly

---

5 Head of Fire and Emergency Safety Department at Lukoil Refinery
with the purchasing people and access to the rest of the people participating in the buying process is strictly limited.

**Heavy industry**

**Cables and Semiconductors industry-characteristics**

**Elkabel JSC** is the biggest Bulgarian cables and semiconductors manufacturer with a factory situated near the city of Burgas. The company is the oldest and still one of the leading producers on the Balkans. There are two other smaller producers on the Bulgarian market and several others in Central and Eastern Europe. Despite the tough competition, Elkabel keeps leading positions due to the higher quality of the products, wide product portfolio and competitive prices.

**Company characteristics**

After few ownership changes after the privatization wave in the 90s, the factory is currently owned by a Turkish holding. The company is rapidly growing with extensive increase in output, productivity, volumes of export, widening product line and building new production plant. The organizational structure is relatively hierarchal.

Purchases of lighting sources are done by the Procurement department after an order is internally placed by the technical engineer in charge. The latter specifies the types, quantity and brands of the lamps and the decision, from which distributor (local store) to purchase and at what price is made by the company buyers (of course, it is required that they stick to the budget allocated).

**Individual characteristics**

The people engaged in the physical purchases of the lamps are procuring all other materials needed in the plant and have a wide network of distributors/agents that they can choose from. There are numerous lamps distributors, offering different brands throughout the country and the choice is easy and quick and based on their own preference. However, the purchasing employees are not technically qualified and do not make any other decisions.
**Needs and product requirements**

Along with thousands of fluorescent lamps, widely used throughout the factory are also white metal halogen lamps. The practice is to purchase starters, ballasts etc. additional equipment from the same supplier along with the lighting sources. Currently the company works with two major lamps manufacturers. The emphasis is on energy saving lamps. In less than two years in accordance with the calculations and estimations of the European Union’s programmes for industrial companies’ energy efficiency, Elkabel will change all the lamps in the factory with equivalent energy saving ones.

The maintenance is provided by the internal technicians (the plant works incessantly having employees working fulltime during the day or on night shifts). Price and quality are viewed as leading buying factors whereas long life as a characteristic is not of a critical importance. In this respect the interviewed engineer from Elkabel, Lybomir Novakov⁶ said:

‘It is difficult but not impossible...........it is like the herd – one sheep to go, the rest will follow’.

**Uncertainties**

The company has internal technical specialists with different background and qualifications and does not have difficulties in the choice of lamp producers, type of products and transaction policies.

**Interaction process**

The purchasing procedure starts with the placing of the order, which is done by the purchasing employees and the latter are the ones in contact with the suppliers when it comes to arranging prices, certificates, warranties, payment and delivery terms etc. The familiarity and trust are important as well as the constant physical contacts with the end suppliers.

---

⁶ Technical Director of Elkabel JSC
**Wood-processing industry - characteristics**

The wood processing industry in Bulgaria is presented by a few players—several smaller producers specializing only in one or two products and **Kronospan Bulgaria EOOD**. The latter is nowadays one of the leaders in the industry in South Eastern Europe combining many years of experience with advanced scientific and technical know-how in the field of wood-processing technology and polymer chemistry. Its competitive advantages are the wide product line, competitive prices, big capacity and

**Company characteristics**

Kronospan is a former Bulgarian plant situated near the city of Burgas which was privatized in 1997 and is currently owned by the Austrian Kronospan Holding GmbH. The company exports daily to a vast majority of customers in Bulgaria, the Balkans, Near East and Middle Asia. Further, the company is building another more modern and better equipped production plant in the countryside which is to start operations in the beginning of 2009.

Purchasing itself is done by the Procurement Department after an order is placed by the Technical Department.

**Individual characteristics**

The purchasers are buying all products needed for each division of the company and due to the numerous distributors (local stores) offering these lamps, the procurement officers buy from several suppliers. The buyers are responsible for the payment, delivery terms, documentation, warranties etc. It is important that there is close relations and enough familiarity with the suppliers and manufacturers.

**Needs and product requirements**

The lighting sources within the plant are approximately 5000 fluorescent lamps 36W (1,20m and 26mm), few thousands Sodium lamps, metal halogen lamps for the high ceiling areas as well as krypton lamps for the outdoor areas. The regularity of purchases is monthly. The majority of the lamps are Philips brand, produced in Turkey.

The maintenance is provided by an external firm on a contract basis (one bulb per day burns on average). Price and energy saving characteristics are the most important factors influencing the buying decisions. However, the long life and better quality of
the lighting sources could also become essential factors if targeted correctly. As the interviewed person at Kronospan, Vesko Karayotov\textsuperscript{7} said:

‘The sources we use now are cheap and the quality is poor, Turkish.........we might switch to others but is important once to make the first trial’.

**Uncertainties**

Like in the previous two described industries, there are no difficulties in specifying the needs, choosing the lamps manufacturer and arranging the quick transaction.

**Interaction process**

Similarly to the cables and semiconductors industry, purchasing employees are in charge of contacting the suppliers and arranging all details around the order, and they are the contact persons in the daily communication process.

**Lighting Services industry**

**Industry characteristics**

Lighting services companies work both in public and commercial lighting and generally provide full lighting services including design and consultancy, lighting sources, fixtures and other accessories from various manufacturers, delivery and mounting, maintenance etc. The biggest players on Bulgarian market are Zagata, Hit Lighting, Prisma and Dimov Company. Since a specific feature of this industry is the growing tendency towards a better full package solution to customers, the competitive advantage is based on the level of professional consultancy, the quality of the products used and the after sales services provided.

**Company characteristics**

As one of the leading companies in this industry, Hit Lighting Ltd. is a private entity established in 1992 with 119 employees and annual revenues of approx. EUR 5 million (incl. VAT). It is headquartered in Veliko Tarnovo region.

The perfect balance of quality and design of products is a part of the company's identity and its constant developing trend in the field of design and technology. HIT

\textsuperscript{7} Head of the Electrical Division at the Technical Department of Kronospan Bulgaria
offers a full range of lighting products and solutions in compliance with the up-to-date Bulgarian norms and European technical trends and quality management systems certificates. Numbers of projects are done in street and park lighting, oil and gas industry, food industry, energy power plants, tobacco industry, commercial centres etc.

**Individual characteristics**

The purchases of lighting sources are done by the company buyers from the manufacturers’ distributors/agents or sales offices. The buyers are quite familiar with the suppliers and products and the transactions do not hide any risks from supplier’s side.

**Needs and product requirements**

For the different applications, both indoor and outdoor lighting, different types of lighting sources – fluorescent, sodium, metal halogen, LED, mercury, photo optic, incandescent etc. When it comes to the choice of lighting sources, the customers do not have particular requirements for brands and fall back on the professional consultants within the company. The requirements of customers are rather the price and characteristics of the lamps, especially in big construction projects. In fact projects in construction industry are quite numerous and profitable. The practice is the construction company winning the bid from the central or local government to subcontract the lighting design and relevant maintenance to an external company and this applies to any big construction project. Generally, a lot of construction projects are expected to commence in Bulgaria\(^8\).

In specific conditions e.g. food, oil and gas industry, chemical plants special lighting solutions are sought such as thermo, UV protective, explosion protective lamps etc. and demand is expected to grow according to Hit.

*‘The best way is to target specific customers and projects and involve good marketing.’*

*Marian Zelenkov, Manager of Hit Ltd.*

\(^8\) According to data of Eurostat, at least 5-7 years the construction boom in Bulgaria (14% growth in 2007) will continue.
Similar to this opinion is the point of view of the managing director of Pollux, engineer Penko Penev. In a telephone conversation, he assessed the market as generally price sensitive and thus a successful establishment of a highly specialized company requires targeting particular big customers/projects in the biggest Bulgarian cities. This could give a good initial move for future expansion.

**Uncertainties**

The difficulties regarding the choice of suppliers, type of products and transaction policies are insignificant due to the good organization, company specialists and technologies.

**Interaction process**

The contact with lamps suppliers and all details regarding the order are handled by the purchasers and usually the prices are fixed in a contract. There is no strict regularity of purchases as in the previously described industries but rather frequent purchases of different volumes depending on the projects currently executed. The company works closely with its main suppliers Sylvania, Osram and BÄRO.

**Governmental customers**

**Burgas Municipality**

It is the fourth biggest municipality in Bulgaria. The city of Burgas (204 000 inhabitants) is situated on the southern part of the east coast of Black Sea. The city is a constantly growing strategic administrative, industrial, cultural and tourist region.

---

9 A dealer of Philips, Osram, GE, Sylvania etc. lighting products headquartered in Rousse, Bulgaria
**Needs and product requirements**

New projects in the sphere of public lighting will continue the next few years – street lighting, park lighting, open-air kindergartens, indoor and outdoor municipality buildings, hospitals, schools etc. The lighting projects at schools, hospitals and other public institutions are sometimes directly organized by them. However, announcements of such projects being planned appear on the regular information bulletins of the municipality.

Despite the specificity of each project, all public lighting projects in Burgas are viewed as a whole package meaning that a single company that wins the bid implements the whole project – planning, lighting sources (sodium and fluorescent lamps) and fixtures (if needed) provision, delivery and mounting, maintenance. The winning company could provide all services itself or work along with sub contractors. The final invoices, however, is required to be issued to the municipality from a single entity. Usually a fixed monthly fee initially negotiated is paid by the municipality if any other forms of payment are not stated in the contract. Important factors influencing the final decisions are the quality of the whole package offered, the reputation and experience of the company and the final price.

**Uncertainties**

Due to the open, transparent and strictly stated requirements the difficulties regarding choice of supplier, delivery, payment terms etc. are minimized. And rarely an external engineering company is consulted during the whole buying process. However, in case of any difficulties Burgas, like other Bulgarian municipalities contact specialized non profit organizations such as Eneffect regarding higher efficiency in public lighting. There is also an annual meeting at Eneffect where engineers from different municipalities discuss various topics on energy efficiency and get familiar with new products, technologies etc. available on the market.

**Regulations and procedures**

The purchasing of lighting sources within the municipality is totally based on the open bidding. Whenever a project is to be implemented, an open bid is announced with all the requirements, specifications and terms included. The whole process of the bid is in accordance with the Bulgarian Law for Public Orders (NG, 20th July 2007) where the stages, the duration, assessment criteria etc. are according to the procedures
and practices stated in the law. The assessment of the offers and the final decision is made by the committee assigned which usually consists of several people including the engineer in charge of public lighting, jurists and other municipal officials.

**Interaction process**

Due to the bidding procedure, the interaction with municipal employees during the process is not intensive. It is rather limited to some administrative questions and unclear points regarding the requirements stated in the bid announcement. The communication is in this case done with municipal officials and/or the lighting engineer in charge.

**Veliko Tarnovo Municipality**

It is one of the biggest administrative, cultural and industrial regions in the central part of Bulgaria.

![Image of Veliko Tarnovo](image)

**Needs and product requirements**

In the city of Veliko Tarnovo (80 000 inhabitants) most often used in the streets are 50W, 70W, 100W and 150W sodium and fluorescent lamps numbering approximately 16 000. Again the preference of the municipality is to grant the implementation of the project to a company offering the best full package solution at a reasonable price.

‘Municipalities have limited budget and sometimes get partial external financing.’

_Ivan Grozev, Lighting Engineer at Veliko Tarnovo Municipality_
Generally, the fixed amount of money paid for maintenance is in the range of 15 000-20 000 EUR. The municipality does not receive information what type of lighting sources are changed but only an indication that a change has been made. This goes back to the contract clauses that arrange only the guarantee of the service life and thus the type of lamps being changed throughout the maintenance period is not controlled by the municipality.

**Uncertainties**
Similarly to Burgas Municipality, difficulties regarding choice of supplier, delivery, payment terms etc. are small and external consultancy is rarely used during the whole buying process except for some cases of Eneffect’s consultancy.

**Regulations and procedures**
The purchasing follows the same pattern as in Burgas abiding the Bulgarian Law for Public Orders (NG, 20th July 2007).

**Interaction process**
The same rules as in Burgas municipality are applicable to the interaction process in Veliko Tarnovo municipality.

**Vratza Municipality**
**Vratza** is the biggest city in the north-western part of Bulgaria (70 000 inhabitants).
**Needs and product requirements**

The lighting sources mainly used in the city are 36W fluorescent lamps (on metal pillars) and 18W fluorescent lamps in the nearby villages (on cement pillars).

The major criteria for the final buying decision in any lighting project are:

1) technical and laboratory calculations and certificates (ISO 9001)
2) technical parameters
3) warranty and after-sales guarantees
4) prices
5) duration of service life

On the basis of special tables and graphics, a complex estimate is made according to the corpus and height of the pillars and light disperse. The estimate is made by an internal committee consisting of the head engineer, jurists and other municipal officials.

**Uncertainties**

Despite the type of project and means of procurement, the experts within the municipality do not face difficulties in setting specification of products and operational procedure and choosing suppliers. Similar to the other municipalities presented, Vratza collaborates with Eneffect whenever any kind of assistance is needed in the sphere of energy efficiency.

**Regulations and procedures**

The municipality generally follows the same Law for Public Orders when fulfilling lighting projects. However, due to the fact that a municipality has autonomy to a particular extent and the Constitution of Bulgaria allows other means of procurement except for bidding, Vratza Municipality has used other forms of purchasing. The municipal laws and regulations allow three forms of public procurement (a full package solution): via a municipal firm, via an external company granted the right at an open bid and via an internal division of the municipality. The sample given below is an excerpt from the year 2007’s project for park and street lighting in Vratza:
The final decision of the municipality in this particular project was to purchase directly and provide the maintenance via its own internal division of technicians.

Interaction process
The same rules as in Burgas municipality are applicable to the interaction process in Vratza municipality.

4.3.2 Customer Profile – Romania
The information presented in this sub chapter is gathered from the personal meetings with representatives of companies and municipalities in Romania\(^{10}\).

4.3.2.1. Private Companies
Lighting Services Industry characteristics
Similarly to the Bulgarian lighting services industry, here the companies also work both in private and public sectors implementing full system projects. And the competition is based primarily on the quality of the consultancy, delivery and execution, the products used and after execution maintenance. There are several big players in this industry such as Luxten, Elba S.A. and Energobit.

\(^{10}\) A detailed questionnaire is exemplified in the Appendix.
Company characteristics

Elba S.A. is the largest lighting fixtures manufacturer in Romania (headquartered in Timisoara, in the north-western part of Romania) with over 86-years tradition in the lighting industry. Elba has three factories and four testing laboratories. The wide product line includes luminaries for indoor and outdoor areas, explosion proof, emergency, automobile, industrial, festive etc. with a 3-years warranty for every fixture. The company has CE certification for all products, Quality Management Systems and Environmental Management Systems certificates. It provides full lighting projects as well as sells its products along with lighting sources supplied form few manufacturers. The company operates on the local market as well as exports to the EU, Balkans and Middle East.

Likewise Energobit produces outdoor lighting fixtures and provides complete solutions in lighting and electricity. The company also produces prefabricated transformer substations, electrical distribution and automation panels, automated capacitor banks, hit shrink splices and electrical meters under a number of quality management certificates. Established in 1994, Energobit is nowadays a group of seven companies with over 250 employees and annual turnover of approx. 300 000 EUR. The company is headquartered in Cluj-Napoca and represented by subsidiaries in Bucharest, Brasov, Bacau and Constanta. The lighting division of Energobit includes Energobit Schreder and Energolux. The former is a joint-venture between Energobit and the German Schreder Group specialized in the production of lighting fixtures and projectors. Numbers of projects are done in the food industry, chemical industry, street and park lighting, gas/petrol stations, bank sector, showrooms and commercial centres, tourism, airports etc.

Individual characteristics

At both companies the purchases of lighting sources are done by the company buyers from the manufacturers’ distributors/agents or sales offices. The buyers are quite familiar with the suppliers and products and the transactions do not hide any risks from supplier’s side.

Needs and product requirements

The customers of Elba are usually not brand sensitive and the company consultants are the decision makers when it comes to the choice of lighting sources. The latter
vary depending on the project, the quality, price and technical characteristics of the luminaries and are usually Philips, Osram and GE brands. There is an observable trend of substantial preference of higher quality over lower price.

Within and outside Romania Elba works closely with several authorised dealers and distributors. The future plans of the company are to open own sales offices due to the increasing demand in particular countries in Europe. Generally, Elba favours close long term mutually beneficial relations with its customers and business partners.

‘We want to grow. We look for close cooperation with potential partners abroad’. 

_Marian Boarna, Marketing Export Manager of Elba_

The used lighting sources by Energolux vary depending on the project specificity – fluorescent (36W, 55W and 18W), sodium, metal halogen, LED etc. with the main brands Osram and Sylvania. Leading factors in the choice of lighting sources are the premium quality and name and final price. Though the company engineers are the technical consulting body making the final decision, at times customers have preferences towards particular brands. Generally, there is a tendency towards high quality products compared to low price ones. As the Marketing Manager _Alexandru Pop_ said: ‘Good marketing is needed …….. ’ and _Andras Vernes_ added:

‘Then our job to convince customers in the efficiency of the products is easier’.

_Uncertainties_

Both companies do not face significant difficulties regarding the choice of suppliers, type of products and transaction policies because they rely on their qualified engineers, well organized work process and contract based relations with the suppliers.

_Interaction process_

The process of communication with suppliers is similar at both organizations. After the consulting department approves the types of products to be used in a particular
project it hands the actual order to the purchasing department. The companies work in close cooperation with a well established network of subcontractors when it comes to the after sales maintenance.

4.3.2.2. Governmental customers

Craiova Municipality – Craiova (303 000 inhabitants) is the fifth largest city in Romania, situated in the southern part of the country. The city is a big industrial centre with increasing FDI inflows especially in the heavy industry (plane factory, automobile factory, chemical plant, aluminium factory, mining centre, nuclear power plant etc.).

Needs and product requirements

The lamps used in street and park lighting are mostly sodium and fluorescent energy saving lamps. A requirement of the municipality is the provision of a full lighting solution – planning, delivery of all products needed, mounting, maintenance. Additionally, a potent influential factor is the balance among all parts of the whole package – price, quality, management and reputation of the company. In respect to the latter, the engineers at the technical department at Craiova municipality said that it is essential that they have heard and seen good examples of a company’s works before the bidding itself.
Uncertainties
Due to the relatively low complexity of the lamps the municipalities do not face serious difficulties regarding the types of lamps, suppliers and procedures. However, when such appear they rely on their internal engineer(s) and specialized non profit organizations such as Socer.

Regulations and procedures
The municipality works on the basis of open bids as the majority of municipalities in Romania. It has granted the lighting management of the whole region to Luxten SA and the contract ends in 2012 after which a new bidding procedure will commence. During the bidding procedure a complete audit is made in 29 regions of the municipality at four levels so that an ultimate technical conclusion is made about the conditions of the lighting systems.

Interaction process
Similar to the procedure in Bulgarian municipalities, the municipal officials in charge along with the technical professionals prepare the official announcement for the bidding with all necessary specifications and requirements and communicate with the companies participating if any administrative questions appear and/or unclear issues.

4.4 Competitor Profile
In the case of Aura there are four major players that directly influence the organizations movements in the global lighting industry; these players include Philips, Osram and General Electric. Domestically within the targets markets two major local producers-Svetlina in Bulgaria and Luxten in Romania. Using Grant’s four step model, the profile of each major player will be presented separately for Romanian and Bulgarian markets. The data is mostly secondary gathered from official company reports, websites, articles and newspapers. Also some primary information gathered during the personal interviews with potential customers is used.
4.4.1. Competitor Profile - Bulgaria

Philips Bulgaria

Philips Bulgaria EOOD is the representative company of the mother company in Sofia, Bulgaria. The company works through a wide network of distributors all around the country. The lighting sources currently supplied in Bulgaria, as well as in most Eastern European countries, are mainly imported from Turkey.

Strategy

Despite the relative low purchasing power of Bulgarians, there are some aspects which remain very important like quality which has begun to be more and more important. Philips is what they call an A brand, a top market brand that is rather more expensive than the locally produced products. The organization incorporates this attitude into its strategy when targeting Bulgaria. In order to achieve the status of an A-brand, seniority and a positive reputation for quality exist. Philips embodies both characteristics and channels this into its competitive strategy. This allows the organization to increase their market share mainly at the expense of the B brands (low quality products). Local companies and B brands in Bulgaria don't have economies of scales and therefore cannot keep up with the price levels of A brands like Philips. The organization also places high emphasis on their distribution network and customer needs.

Objectives

The following factors represent Philips’ global objectives for the environment and sustainability.

- Creating long life products that people need and want. Such products must also use less energy to make and operate, and use fewer raw materials, especially hazardous substances and packaging. Easy recyclability is crucial.
- Using sustainability to help develop new businesses, and sustainable business initiatives in emerging markets.
- Promoting community programs to improve peoples’ lives.
• Improving productivity and preventing pollution of all kinds, and reducing manufacturing and process waste and emissions.
• Complying with all relevant existing, emerging and future legislation and voluntary standards.
• Developing and using sustainability management systems to meet requirements, objectives and targets, and to review progress.
• Communicating effectively inside and outside the company to provide a healthy and open relationship with society.

Assumptions
Philips considers itself a market leader and believes in maintaining this strong position in the future through constant offering of quality products at affordable prices for households and businesses. It also assumes that wide networks of distributors and good cooperation are the leading successful factors.

Resources and capabilities
In Bulgaria Philips is closely working with a number of lighting services companies throughout the country on various projects. The company also takes part in public lighting projects through open biddings. As a leading supplier in the lighting industry, it has engaged in numerous projects as well as realized substantial sales on the consumer market.

Siemens Bulgaria
Siemens has been represented as a company in Bulgaria since the end of the 19th century. In the beginning of 1991 Siemens restored its tradition to be directly represented in the country and established its own representative office in Sofia, where the headquarters are. Osram EOOD, a subsidiary of Siemens that was established at the end of 1998 as a legal entity within the meaning of the Bulgarian legislation, runs its own sales and a warehousing business. Osram EOOD incorporates both the Sylvania and Osram brands.
**Strategy**

Their strategy for engagement in Bulgaria is not only to deliver products, solutions and services, but also to build a wide network of Bulgarian partner companies. Siemens-Osram believes that this would mean more efficient representation on the market and for Bulgarian partners – know-how and training, new modern jobs and competitiveness. Innovation is key to the company strategy as well.

**Objectives**

The objectives in Bulgaria are aligned with the global objectives of environmental sustainability. In all operational aspects, the company makes every effort to protect the environment. The goal for all Osram production operations is to reduce environmental impact as much as possible. At Osram, environmental protection applies to all aspects of commercial trading, product development and manufacturing, work processes and the company's social responsibility. Therefore, top priority is placed on environmentally safe processes ranging from the production of source materials and manufacturing, to product service life, product recycling and final disposal.

**Assumptions**

The company assumes a stronger local business network will expand market share and a loyal customer base as well as garner a stronger brand image of highly innovative company. This is the fundament of their operations on Bulgarian market as well.

**Resources and Capabilities**

Siemens has strong positions in modernization and reconstruction providing new lighting fixtures, lamps, brackets, polls, cables, distribution boxes, distribution boards and creating of a control center for street lighting management. Such whole packages Osram currently offers to businesses and local municipalities.

**General Electric (Tungsram Bulgaria)**

GE currently operates on the Bulgarian market through a distributor, and the Tungsram representative office in Bulgaria. They work under the brand name Tungsram, a Hungarian light-source manufacturer that is entirely owned by GE.
Strategy

GE’s strategy within the Bulgarian market is to create a homogenous vision, not only within the internal organization, but within the wide distribution network. Working together simultaneously with a clear vision harvests better customer service which develops customer loyalty. The company requires also its distributor to embody these feelings in order to contribute to the same strategy.

Objectives

GE's objective is to continue strategic growth in the Bulgarian market through a wider distributor network covering even the smallest administrative regions. Plus, it has here as well the global objectives for sustainability and environmental concern.

Assumptions

GE assumes that they can increase their market share through offering a diverse product line within the lighting segment. GE produces not only lamps but also the famous Eurostreet lighting fixtures series, increasing their brand image through the intermix of industrial lamps and fixtures. Further, GE believes in efficient after-sale services and a deep knowledge base about its products.

Resources and Capabilities

In conjunction with their distributors GE takes part in various complete lighting design projects. For example, one of the last projects was at the Vasil Levski National Stadium in Sofia -a lighting system was supplied and installed; the floodlight system was oriented, installed and controlled by the team of Dimov Company EOOD. The project was implemented with 240 pcs. floodlight lamps EF2000, manufactured by GE, with input capacity of 2025W, for a period of two months.

Within the Municipality of Varna GE took part in public lighting project where it supplied lighting fixtures from the popular Eurostreet series. The supply project was implemented under the Public Procurement Act, rivalling the biggest companies in the state, and for the first time Bulgaria was supplied with 4000 pcs from this collection.
Svetlina AD

Svetlina AD is a local Bulgarian lamps producer founded in 1934 situated near the city of Sliven. Currently the company is owned by the Bulgarian shareholding Synergon. Svetlina produces more than 600 types of lamps for households, transport vehicles and street lighting: fluorescent, sodium, halogen, car, mercury lamps etc.

Strategy

The essence of the company strategy is the good quality and reasonable prices. The latter are a bit higher than Chinese and Turkish products (considered as generally very low quality) and lower than well known foreign substitute products. The production is guaranteed by certificates, constant development and adherence to world standards.

Objectives

The ultimate goal of Svetlina is to increase the overall competitiveness of its products and respectively its market share. Currently, Svetlina has approximately 40% domestic market share. The rest of its products the company exports to Germany, UK, Greece, Macedonia etc. It plans to further develop the quality focusing on the energy saving segment and sodium gas discharging lamps.

Assumptions

Svetlina views the local market as highly competitive- flooded with low cost Chinese and Turkish producers (including famous brands produced in Turkey) and global players. In this competition it targets reasonable prices of high quality lamps that can answer the increasing needs for energy saving environmentally friendly solutions both in households and public lighting.

Resources and Capabilities

Strong capability of Svetlina is the ability to keep moderate prices and thus be highly competitive. Though producing with Hella’s patents, little investments are made in its own R&D. However, for the time being public lighting and commercial lighting are the strongest segments for operation.
4.4.2. Competitor Profile – Romania

Philips Romania

In 1925 Philips began activity within the Romanian market but operations were halted when the rise of communism became very powerful. Following the collapse of the socialist regime, activity began once more in 1992. Currently the organization operates on the market through distributors and partnerships.

Strategy

Philips applies in Romania the same strategy as in Bulgaria. And according to Jeroen M. van Heesewijk, the General Manager of Philips Romania SRL, following this strategy has proved to be successful so far and keep Philips as a market leader in A brands.

Objectives

The current major goal of Philips in Romania is mirrored by the same global objectives for energy efficiency and environmental sustainability introduced in the previous sub chapter. Currently Phillips is also trying some tactics that will educate energy consumers. For example, the company did a mass mailing of leaflets on energy saving together with Renel a Romanian Electricity Authority. Therefore in conjunction with their objectives, Philips also strengthens their brand image strategy.

Assumptions

With Philips high class reputation they can easily find very good partners who want to help them build their brand in Romania. According to Jeroen M. van Heesewijk the General Manager of Philips Romania SRL:

*We are working with distributors, looking for a recognizable distribution where people understand that they can buy our products and they can obtain quality and services for prices they know from shops. We are very happy because we have found strong players in the market to do that.*

The assumption is that on the basis of good partnership the organization can quadruple their market share. In fact they have tripled it in recent years. In regards to the industry itself, like many other lighting companies, Philips believes that Romania
is a huge market with lots of potential, due to the major infrastructure developments that are now taking place since EU accession.

**Resources and Capabilities**

One factor that contributes to Philips superior status is their world class projects on various world monuments like Eiffel Tower, Big Ben, The Sphinx, and The Sydney Opera House etc which factor contributes to Philips major strengths from a global perspective.

Domestically Philips engages in projects which are considered to be big in the Romanian market. Big projects in lighting, including a joint venture based in Timisoara with a well-known Romanian fixtures company Elba for municipal street lighting. The lighting division is also interested in other infrastructure projects like stadiums, bridges, tunnels, and hotels.

**Siemens Romania**

Siemens has been active in Romania since 1905. It holds leading positions in the three application fields; Energy & Environmental Care, Automation & Control, Industrial & Public Infrastructures. Part of Siemens AG is the subsidiary Osram, a well renowned lighting brand with operations occurring through a distributor.

**Strategy**

Osram’s strategy uses innovation as a key to success. This is an important step toward safeguarding the company’s technical competence on the international lighting market and reducing dependence on the know-how of others. Providing innovative solutions in a market like Romania will increase the company’s’ attractiveness, as many Romanians view innovations as a sign of quality and eminence.

**Objectives**

Osram’s objective is to be instrumental in shaping the lighting market for the benefit of its customers. The goal would consist of environmental sustainability, energy efficiency, and product innovation.
Assumptions
Osram assumes that innovation is the key to break into developing markets and emphasizes on it as well as on wider local business network throughout the whole country.

Resources and Capabilities
As in Bulgaria, Siemens is constantly involved in various projects where it uses its strong resource base. For example, in 2007 the organization signed a contract that involves servicing and maintenance of the Petrobrazi refinery, owned by the largest Romanian company, Petrom, worth €10 million a year for a minimum of three years. They also were involved in modernisation of the runway lighting system at Henri Coanda International Airport in Bucharest.

General Electric Romania
GE has been active in Romania since 1984 with many of its businesses and employees exceeding 900 persons. Within the Lighting segment operation occurs through a representative office (GE Energy) and a distribution network.

Strategy
GE's strategy is to create growth by matching the country’s potential with GE’s state of the art equipment and services, infrastructure and the country’s modernization. GE is virtually the only company to offer locally an exceptional variety of world-class technology in energy, transportation, healthcare, water and security. The company's wide range of products is complemented with strong consumer and commercial financial services. The cross-fertilization of their product line is used on the local market to garner a complete competitive strategy. Within Romania often the best way to conduct business is through the abundant connection of contacts. Business is done simply on the basis of “who knows who”. Having a larger product line on the market easily expands the communication network for local business partners and customers.
Objectives

General Electric’s main objectives are to constantly foster an environment of success through environmental sustainability, self-assessment, robust career framework for their employees (training programs), and management of risk and opportunities.

Assumptions

GE assumes a strong local presence through philanthropy will garner a robust brand image within the Romanian market. This action will harvest new relations for potential customers, and combat foreign and local competition.

Resources and Capabilities

Romania is one of the fastest growing GE locations in Europe, GE’s recent local investments together with its partners amounting to about $ 500 million. Currently the product line (Lucalox xo lampsand & Eurostreets fixtures) is involved in many projects including the rehabilitation of street lighting within major Romanian cities. GE also is a good local citizen and started to invest in the country's future by supporting innovative educational programmes for students and children with disabilities. In 2004, GE Romania received award for "Corporate Donations"- outstanding involvement in philanthropic activities at People for People Gala. In 2006, GE Romania also received "Diploma of Excellence" for the most transparent conduct of a company in the field of competition from CEFTAC Platform.

Luxten S.A.

Luxten is the largest Romanian manufacturer of lighting equipment in South-Eastern Europe. The product range includes light sources, accessories, fixtures, and poles. A further extension of the company includes electricity trading and energy services. Luxten was founded in 1993 by Zoltan Boszormeny, a Romanian-born Canadian investor who bought the Electrofar Bucharest light bulb factory from the Romanian state. In 2003 the managers took control of the company, when Zoltan Boszormeny, Investment firm AIG New Europe and Romanian bank Group Societe Generale exited the business.

12 http://www.ge.com/ro/- General Electric Corporate website
Strategy
The essence of Luxten’s strategy is the leadership in implementing full electrical services projects at competitive prices on Eastern European market (rather than small operations in many other countries).

Objectives
Luxten’s objective is to not only sell lighting solutions, but offer strong intrinsic maintenance packages, and after-sale services. Their goal is to constantly support their customers’ months to years after the original sale, depending on the allocated contract as well as to support them financially if needed. Having this demeanour they believe will build brand loyalty and trust between the seller and buyer.

Assumptions
Luxten assumes they can capitalize on the liberated electrical markets of Romania, through transparent relationships between all economic agents in Electric Power Industry and local municipalities. The company also assumes that close collaboration between all the departments is another important prerequisite in providing industry solutions and services addressing adequately the needs of their customers.

Resources and Capabilities
The company has big overall capacity. It made more than 5.5 million Euros in investments in the first six months of 2007. A significant part of its revenues comes from the contracts signed with city halls to provide public lighting in some of the biggest cities in Romania. The company has a contract in place with the Bucharest municipality until 2012, which is worth approximately 9 million Euros a year. The other cities with which Luxten holds similar contracts are Constanta, Timisoara, Craiova and Ploiesti.

4.5. Summary of the Empirical Findings
Creating competitor and customer profiles, as well as identifying market conditions denotes the overall investment climate for both targets markets. Within the empirical study we have described the institutional set up of the external environment, outlined
a step approach for competitor analysis, and customers in target segments through defining important characteristics, uncertainties and processes.

Based on the empirical results for competitors Philips has the strongest resources and capabilities for both countries. The rest of the competitors coincide with an order that is similar to international markets. After the capabilities of Philips, follows Siemens-Osram then GE’s- Tungsram. Domestic players like Svetlina AD in Bulgaria and Luxten in Romania also have big capacity in terms of well established networks and after-sales support packages.

For potential private customers within the lighting services industry of both countries, requirements for types and characteristics of the lamps depend on the project and they are the ones choosing the lamps (with some few exceptions when end customers insist on particular brands). The projects require full engineering and the companies work either via subcontractors for maintenance or provide it themselves.

The heavy and oil and gas industry emphasize on energy saving and safety characteristics of the lamps. The internal technical specialists (engineers) are the individuals who look for prices, certificates, warranties, and adequate delivery terms and the purchasing departments execute the orders centrally. The maintenance is provided either by internal technicians or an external company.

All private companies described in the case work with mainly two up to three manufacturers that supply them with bulbs, fixtures etc. lighting products.

Governmental customers are a bit different, they seek full package offers from well known suppliers-planning, delivery of all products with fixtures, mounting and prolonged maintenance. EU and governmental regulations push for energy efficiency in public and private sectors and in many cases provide almost 100% funding as a mandate.

The following chart summarizes the pivotal descriptive aspects of the societal institutions and the rest of the organizational fields.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Bulgaria</th>
<th>Romania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal System</td>
<td>-Newly reformed legal system</td>
<td>-Slow and bureaucratic legal system</td>
</tr>
<tr>
<td></td>
<td>-Limited investor confidence in courts</td>
<td>-High corruption, inefficiencies</td>
</tr>
<tr>
<td></td>
<td>-Low enforcement of ownership and</td>
<td>-High lack of competence and excessive workloads</td>
</tr>
</tbody>
</table>

Table 4.1
<table>
<thead>
<tr>
<th></th>
<th>Shareholders Rights</th>
<th>Political System</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Decreasing corruption</td>
<td>- Decreasing corruption</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Overburdened courts</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proffesional &amp; Interest</td>
<td>- Democratic society</td>
<td>- Democratic society</td>
</tr>
<tr>
<td>Associations</td>
<td>- Clear separation of powers amongst the executive,</td>
<td>- Governed on the basis of multi- party democratic system</td>
</tr>
<tr>
<td></td>
<td>judicial and legislative branches</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Strong conformity with the European Union legislation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country Culture</td>
<td>- Low uncertainty avoidance</td>
<td>- Low uncertainty avoidance</td>
</tr>
<tr>
<td></td>
<td>- Less rule-oriented</td>
<td>- Less rule-oriented</td>
</tr>
<tr>
<td></td>
<td>- Short-term orientation</td>
<td>- Short-term orientation</td>
</tr>
<tr>
<td></td>
<td>- No apparent gender differentiation</td>
<td>- High degree of gender differentiation</td>
</tr>
<tr>
<td></td>
<td>- High power distance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Low individualism</td>
<td>- Responsibility assigned than diffusely accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Low individualism</td>
</tr>
<tr>
<td>Business Mores</td>
<td>- Strewn corruption</td>
<td>- Abundant corruption practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour Market</td>
<td>- Highly educated labour</td>
<td>- Cheap labour force</td>
</tr>
<tr>
<td></td>
<td>- Cheap labour force</td>
<td>- Aging labour force</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Market</td>
<td>- Stable financial market</td>
<td>- Steady financial market</td>
</tr>
<tr>
<td></td>
<td>- fixed to EUR currency exchange rate</td>
<td>- not fixed currency rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>- Strong focus on developing promising sectors of the</td>
<td>- Reformed government</td>
</tr>
<tr>
<td></td>
<td>economy for FDIIs</td>
<td>- Improved transparency</td>
</tr>
<tr>
<td></td>
<td>- Favourable policy and support for foreign investors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>from special agencies</td>
<td>- Solid professional services for foreign investors</td>
</tr>
<tr>
<td></td>
<td>- Decreasing interference of political interests in</td>
<td></td>
</tr>
<tr>
<td></td>
<td>business</td>
<td>- More moderate interference in strategic industries only</td>
</tr>
</tbody>
</table>
5. Analysis

In this chapter the empirical findings described in the previous part of the thesis will be analysed following the theoretical framework. The analysis includes the internal environment of the case company, external institutional environment focusing on the two major players on the product market in the target market segments and entry strategy for Bulgarian and Romanian markets.

5.1. Internal environment of Aura Light

The chapter begins with the internal environment of the case company after which following the theoretical model an investigation of the external environment of Bulgaria and Romania will be made in order to see to what extent the internal and external environment fit and how the case company can adapt to the existing reality in the target countries.

Strategy

The global strategy of Aura Light can be considered as positively differentiation one combining premium quality at high prices and targeting particular niche markets. Towards the Eastern European countries the strategy can be viewed as one targeting fast growth.

Objectives

Internationalization to lower developed markets is an appropriate way for a company from a mature market to grow fast and increase global market share. The choice of Bulgaria and Romania can be an apposite destination due to the rapid economic development, big population in total and recent EU accession of the countries. The analysis further in the chapter aims at shaping the best step approach to accomplish these goals.

Assumptions

Similar to other markets, the best approach is to target particular segments in the beginning of the market entry and thus the analysis will discover whether the oil and gas, heavy industry, lighting services industry and public lighting in the target countries have the necessary potential. The so called ‘copy and paste’ method used in
other countries cannot be assumed as appropriate until a thorough study is done on the external environment of these countries.

**Resources and Capabilities**

Although smaller than its major competitors, Aura has the abilities of being more innovative, flexible, customer oriented and successful in providing highly customized solutions. Throughout the analysis we will address the resources and capabilities that are mostly important for the company when entering the concrete markets so that it can improve its capacity, stress on particular strengths and find ways to overcome weaknesses.

5.2. **External Institutional Environment**

In this sub-chapter the focus is widened to analyze influential sectors of the external environment surrounding the MNC. The following sections investigate the empirical findings in the external environments in order to discover structures behind the trends and behavioural patterns. Institutional analysis studies how institutions, i.e. structures and mechanisms of social order and cooperation governing the behavior of two or more individuals, behave and function according to both empirical rules – informal rules and norms - and also theoretical rules - formal rules and law. This field deals with how Bulgarian and Romanian nations’ institutions function in practice for Aura’s market entry.

5.2.1 **External Institutional Environment of Bulgaria**

**Societal Sector**

**Professional and Interest Associations**

As shown in the empirical data, the Professional and Interest associations in Bulgaria represent a crucial segment that Western firms like Aura Light can use as portals for market entry. The fact that foreign organizations like World Bank, EBRD etc. solicit bids from foreign investors allow international companies like Aura Light an opportunity to actively participate within the domestic market. Aura can use these groups’ and associations’ know-how to develop a local interpersonal network, and harvest participation in local energy efficient or infrastructure assignments. Additionally, the described activities of Eneeffect represent it as a strategic partner for
Aura since it might be a very good source of local professional information and support in the sphere of energy efficiency in lighting as well as an intermediary for the connections with potential private and public customers. Further, due to the easily changing and uncertain in some areas conditions, having such a respectable association is a very appropriate approach for an unknown foreign investor like Aura to enter successfully, learn and adapt faster to the domestic market.

Culture and Business mores

Studying Hofstede’s dimensions presented in the previous chapter, it can be said that relationships and personal ties are strong factors in business relations in Bulgarian society. Thus it is very important what local partners Aura will have- normally the wider networks they have, the better it is for the company because sometimes business is based not on economic rationality but rather on individual preferences. Additionally, as Bulgarians tend to be suspicious to unknown new things, it is essential that Aura uses different marketing techniques to make itself known and prove its experience, competency and resources.

Hofstede’s dimensions in the previous chapter show that time for Bulgarians is rather synchronous, but the interaction and meetings during the field study indicated that they tend to be very dynamic, sticking to the deadlines and requiring the same from the other side. In fact, delays and uncertainties in any form of communication could be considered as not serious, trustworthy and professional behaviour. Corruption and bribes could be viewed as still present practices in business mores. Though they are mostly found in public sectors and juridical system, there could be cases in the private sector as well (as mentioned later on in the customer analysis). Generally the best approach is to avoid corruption but there are cases when it is impossible to avoid it completely if it is obligatory to fulfill a particular task. In such cases it is important to have a local partner company so that it can ‘go around it’ or find an alternative way.

Legal System

The fact that Bulgarian law diverges the dominance of competition, garners realistic potential for Aura within its designated industry, without worrying about competing with monopolistic organizations. As far as the insufficient and unclear parts of the
legislation are concerned, they could lead to unfair and problematic situations only in case of court disputes.

**Organizational Field**

**Central Government**

From the empirical information is evident that the overall government’s efforts towards foreign investors aim at attracting FDIs in all economic sectors which is of course favouring the entry path of Aura Light. In terms of negative influences from this institution, such cannot be expected to affect Aura directly since lobbying and political interference in business can mostly be found in big monopolistic sectors such as for instance oil and gas, tobacco industry. However, due to strict EU’s regulations these practices are also to be eradicated in the near future.

**Financial Market**

As the previous chapter indicates, the financial system in the country is quite stable and does not pose any risks and transaction difficulties for foreign companies. For this reason, the influence of this institution can be regarded as rather positive and favourable.

**Labour Market**

As described in the empirical findings labour costs are relatively low in Bulgaria. This may hinder one of Aura’s main selling arguments, in which the long life concept avoids maintenance costs to change the lights. If labour costs are low many domestic firms will for-go the long life concept and its heavy price tag, if they feel that maintenance is not a crucial factor for monetary savings. This is once again another component that showcases Bulgarians’ price sensitive attitude. Therefore, it is important to emphasize on other firm’s advantages in order to establish successfully on the market, which will be further studied in the analysis.

**Product Market**

Bulgaria has many competitive foreign companies as well as some very strong domestic players. Our findings reveal that a major shift from state owned to private organizations has taken place within all industries. Though price sensitive to a big extent, customers are willing to spend more in return for higher quality and after-sale
services. As mentioned in the empirical findings Bulgarian customers (and consumers) expect good after-sales services and customer support when purchasing products.

The expectation of public customers for support from Western exporters when purchasing imported products is an underlying rule. Given that prices are generally higher and their limited budgets are already stretched, service and support by their suppliers are mandatory in their view. Emphasis on customer support is an initial step in developing customer loyalty. Hence, Aura Light needs to realize that a good support system must exist after original purchases are made.

Most Western companies operating in Bulgaria provide training to their distributors/agents including trainings abroad which is a way to better communicate the firm’s distinctive corporate policies, behavior and standards.

The specific behaviour of customers in the target segments will be further analysed in the chapter.

5.2.2. External Environment of Romania

Societal Sector

Professional and Interest Associations

Similar to the case of Bulgaria, Professional and Interest Associations within the country represent a crucial segment that Aura Light can use as a stepping stone for market entry. The fact that organizations like the World Bank and EBRD systematically provide funds to build and stabilize Romania’s current infrastructure, makes possible for Aura Light to use their know-how to tap into projects for energy efficiency, building and maintenance of infrastructure.

Likewise in Bulgaria, Aura can also use Socer as a portal or source for entry since this organization does not seek profits, but rather seek out the well-being of Society. Through working with such interest associations Aura can develop its interpersonal network, acquire local knowledge more quickly and apply the most relevant resources.

Culture and Business Mores

Similar to Bulgarian culture, Romanian business environment is strongly dominated by personal networks and individual relationships. And adding the still widespread
corruptive practices (especially in secondary economic sector) makes extensive knowledge of local customs, values and traditions an important prerequisite for successful business operations. Additionally, the empirical study showed that Romanians strongly value the good first impressions, quick reactions and accuracy. Though Hofstede’s dimensions introduce them as a synchronous nation, they seem to be quite dynamic and fast reacting people expecting the same behaviour from the other party because this is considered a sign of seriousness, commitment and trust which are of course the fundaments of future stable relationships.

Legal System
Due to the still not fully transparent legislation and the widespread corruptive practices, prospective western investors like Aura need to consult legal counsels to receive up-to-date legal information. The laws generally favour all forms of legally known in the western world forms of foreign investments, but court disputes are problematic. However, apart from the latter, the legal system cannot be viewed as a threatening factor undermining Aura’s internationalization decision.

Organizational Field
Central Government
Since the Romanian government also encourages FDIs, the overall climate for foreign companies is attractive and full of perspectives. Similar to Bulgaria, political interference and illegal actions can be expected mostly in large scale green or brown field investments that involve public authorities (ministries, mayors, county officials). Thus, the performance of Aura cannot be directly affected by such circumstances.

Financial Market
Romanian financial system generally guarantees unproblematic quick operations, which of course positively affect the investment decision of foreign multinationals. However, due to the not very stable local currency considerable financial deals might require hedging and/or other forms of minimization of the risk.

Labour Market
Though a bit higher than in Bulgaria, the labour costs in Romania are still quite lower than in other EU countries. Due to the abundant gap in the Romanian workforce, it
could prove to be beneficial for Aura to rely on expatriates or an already well established local legal entity with qualified experienced labour force.

**Product Market**

As noted in our empirical findings local producers compete with products from developed countries as well as from China and Turkey. In the case of higher quality goods, the reputation of brands as well as technical specifications or length of guarantee may determine success in the highly competitive market. The lack of exposure to proper western practices during communist and transition time left a legacy of indifference to after-sales service, which is gradually being changed, at least in the case of large multinationals operating in Romania. The fact that Romanian customers are becoming more sensitive to the quality of after-sales services introduces this factor as a crucial one in Romanian buying decisions which will be further studied in our detailed analysis of the product market.

5.2.3. **Summary of External environment of Bulgaria and Romania**

On the basis of the external environments’ analysis it might be summarized that both in Bulgaria and Romania the institutions having major influence on the case company Aura Light are the product market, culture and business mores, professional and interest associations and labour market. Respectively the financial market, central government and legal system have minor, rather indirect influence. The overall external environment on the target markets could be considered as favourable for foreign investments due to the fast economic growth, big total market size and growing perspectives in numerous industries. However, the still lower labour costs and living standard compared to other EU countries necessitate the ability of the case company to clearly distinguish itself from the competitors and target big solvent customers/other foreign companies in the beginning. This will not only be beneficial in terms of profits but also in terms of brand image and good reputation. And the latter are very important in these societies. Being part of the business network of big famous companies in the country is definitely a strong advantage.

Additionally, for the two cultures the social networking and doing business via strong personal ties are very typical, which requires that Aura use its resources and abilities to quickly acquire local knowledge through establishing business networks with
strategic local partners. The reputation of the latter is also significant due to the fact that the case societies critically judge by the first impression and do value the good references and opinion of their ‘strong ties’. As far as corruptive practices are concerned, though not as prevalent as in the 90s they are still present in many spheres of the social life and accepted as a normal way of achieving something faster and more efficient rather than as a negative phenomenon. In fact, they are tightly connected to the personal ties an individual has because there are still cases where it is essential not ‘what you know’ but ‘who you know’. Therefore, the faster Aura manages to adapt to this societal environment and the wider networks it creates with key figures, the more successful its performance will be. This is why the importance of collaborating with interest associations was stressed upon earlier. Non profit organizations in energy efficiency such as Socer and Eneffect can be a valuable source of local knowledge and resources as well as a stepping stone in establishing stable and loyal customer relationships.

The next step of the analysis concentrates on the product market. This organizational field will be analysed in details for both country markets in order to better investigate what resources and capabilities the case company needs to stress on and how it can improve its capacity so that it builds viable local business networks.

5.3. Product Market

5.3.1. Customer Analysis

Following the relationship marketing approach to organizational buying behaviour in accordance with the conducted inter-organizational approach to market research, the customer profile of the two target countries – Bulgaria and Romania - will be separately analysed on the basis of the theoretical model and empirical data.

5.3.1.1. Customer Analysis- Bulgaria

5.3.1.1.1. Private customers

In this sub chapter we will focus on the needs and product requirements, the industry, company and individual characteristics, the purchasing process and uncertainties of potential business customers as well as the possible interaction strategy Aura can
apply in the three target market segments – oil and gas, heavy industry and lightning services industry.

**Oil and Gas industry**

**Industry characteristics**
In the case of the Bulgarian oil and gas industry where there is more or less one dominant player Lukoil – the owner of the biggest refinery on the Balkans, the majority of gas/petrol stations and import of gas from Russia – the concentration of power can be considered as quite strong. Despite the other industry players described in the previous chapter, Lukoil has the competitive advantage of having a refinery as well as petrol stations chain. So in the latter business it is generally price competition. It can be concluded that the company has big power to set prices, delivery, payment terms etc. both as a supplier and a buyer - leading market players, like Lukoil that dictate major supplier conditions in many industries can be assumed to express similar behaviour in their purchasing policies. Further, as a dominant player in the industry Lukoil can be assumed to have potent influence upon the social, economical and political life in the country.

Due to the specificity and world trends in this industry, technical changes or any technological breakthroughs cannot be viewed as factors altering the outlook of the industry in the country in the future. Hence, the buying behaviour could also be considered as constant in terms of industry influences.

**Company characteristics**
The big size and strong market position of the company facilitate to a big extent the purchasing power of the petrol company over smaller companies supplying various products and as the theory constitutes it favours to some extent the so called command buying in which the buyer can ‘command’ or ‘play’ with the rules in buying. The fact that the company has Russian ownership and very limited strict control of access to the refinery and headquarters also bespeaks for a necessity of clear knowledge of the internal norms, traditions, policies and organizational structure. As experienced in the field research, it is important to be aware of the internal rules and responsibilities of particular people of interest since before an external person (entity) can approach a particular employee for a business conversation, permission has to be first received
from his/her superior. Therefore, any form of interaction needs to be carefully planned and addressed in advance especially when the company is unfamiliar with Aura Light. In fact relative familiarity is a factor that might determine the degree of trust the company has in new supplier relationships. Additionally, since there are many lamps producers and suppliers offering similar products and the latter do not technically change very fast, it could further facilitate the competitive buying approach of Lukoil.

**Individual characteristics**

As evident from the empirical findings the people engaged in the physical purchases of the lamps in the petrol company represent a whole purchasing department buying centrally all products needed for each company division from several suppliers. Thus, there is a preferred interaction style without any risk aversion from the buyer’s side. And as according to the theory, the higher the familiarity, the closer and more cooperative the relationship becomes. In the meantime, the fact that the choice of distributor (store) is based on the personal preference of the buyers carries the risk of ‘hidden’ factors influencing their decision. Therefore, the existence of only one distributor or sales company offering Aura’s products on the territory of the country reduces the risk of buyers trying to ‘enforce’ corrupted practices. The latter need to be carefully heeded since it might negatively affect the company image and development of the relationship.

**Needs and product requirements**

Since refineries have special lamp needs to ensure fire and explosion safety via strict document requirements, Aura’s products not only meet these needs and requirements but also guarantee times longer technical life which is a competitive advantage that needs to be exclusively emphasized on. Due to the fact that Lukoil aims as lower prices as possible and pays long after a delivery, it is important to look for a solution offering moderate prices in combination with a flexible payment policy. And provided regular purchases occur, the initial compromise could be compensated with the big quantities the company usually buys. Because price is apparently an important aspect of a purchasing decision, the readiness to switch to another supplier has to do with clear awareness and trust in the technical supremacy of the new products and the possible return on investment. In addition, due to the fact that lighting sources are
bought normally from the same manufacturer as the accessories for them, it is appropriate for Aura to think of an appealing whole package in the beginning of establishing the connections.

**Uncertainties**

Due to the not high complexity of the products and ability of the company to specify its needs, the need uncertainty will not increase in the future. The same applies to the transaction uncertainty because of the wide network of distributors/agents offering the products the company usually buys. The market uncertainty can also be considered as low because of the evident from the empirical findings easy and straight choice of suppliers. This is explained by the comparatively homogenous (in terms of types of lamps) and not very dynamic lighting market in Bulgaria in general.

**Interaction process**

First, the limited options for communication with the engineers in charge of lighting make their first impressions essential. Therefore, it is important to arrange in advance a meeting with these professionals, not the purchasing department so that through the first official company presentation Aura gets a more detailed grasp of the interaction atmosphere, the habits and specific needs of the petrol company.

Second, the standard procedure for suppliers to contact directly the purchasing department practically hides the risk of not perceiving the importance and quality of the products and delivering the information to the right people in the company since the procurement division is price-oriented and doesn’t possess any technical knowledge to correctly assess the supremacy and uniqueness of Aura’s products. Thus, the existing interaction pattern necessitates targeting the interest, trust and appreciation of the engineers from the Fire and Emergency Safety and Construction departments who have the decision authority and ability to require particular orders.

**Summary**

On the basis of the above made analysis and the theoretical framework we follow, major conclusions about the Oil and Gas Company’s buying strategy are made as summarized below:
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Competitive buying</th>
<th>Cooperative buying</th>
<th>Command buying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragmented lamp industry</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very concentrated customer industry</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Not complex products (low switching costs)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centralized buying</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wide network of end suppliers/price orientation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low need, market and transaction uncertainty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two lamps manufacturers</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>High proportion of purchases from the latter</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Long relations with the latter</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>No new manufacturers recently taken</td>
<td></td>
<td></td>
<td>√</td>
</tr>
</tbody>
</table>
According to the theoretical concept of competitive customer relationships, the competitive customers are mainly price oriented and prefer having a network of several suppliers so that there are options for better price offers. This strategy is facilitated by the availability of many suppliers offering substitute products at competitive prices, the low technical complexity and leading market position of the buying company. However, the fact that two major brands are used bespeaks for preference towards cooperative relationships with the manufacturers.

So the important question is what stands behind these close relationships with the competitors? Is it the trust and mutual dependence built for years, the reputation, market power and leadership of the manufacturers or the best price offered? Or is it the case of all these factors together? The most apposite answer is the latter. The lamps producers in question have many distributors/agents offering different prices per unit but the latter become significant when big volumes are purchased. Therefore, the company buyers use wide networks of suppliers but the good name and market position of the manufacturers, the competitive prices and consistency in the needs and requirements are the fundamentals of the long usage of these manufacturers’ products.

Since price is a very important decisive factor, it can be assumed that the company will easily switch to another manufacturer if lower price is offered or the same/close price for higher quality. Therefore, it cannot be stated exclusively that the company has either cooperative or competitive buying strategy as the theory indicates. It is rather a competitive buying strategy with particular features of cooperative.

In this situation, the optimal interaction strategy of a new supplier entering this market segment is to find the right balance between quality, service and price. Therefore, it is important that Aura increase the market uncertainty of the potential customer meaning to differentiate itself well so that the supreme quality and innovativeness compensate for the higher than average market price and the lack of familiarity with the company name. It is also important to emphasize on the advantage of having other lighting products except for the long life line and providing various customer services in cooperation with a local company or via a distributor. Additionally, Aura needs to invest the necessary resources especially in the first contacts focusing on the engineers in charge instead of the purchasing department.
Heavy industry

Industry characteristics
The cables and semiconductors industry and wood-processing industry as representatives of the heavy industry in Bulgaria are not so fragmented and as evident from the empirical findings, Elkabel and Kronospan are currently market leaders in their industries in Bulgaria and nearby region. And due to the size, capacity and portfolio of the market players, the competition is based on price and quality. It could also be concluded that because of the specificity of the products, moderate technical change rate and not so dynamic know-how development in global aspect, the two companies will continue to keep the same strong positions. It could be even expected that both Kronospan and Elkabel will grow faster in the mid future given the constantly increasing exports, product line, productivity and plans for green field investments.

Company characteristics
The size, organization and structure of the two companies do not pose strict control and limited access to engineering personnel in contrast to the situation at the petrol company. Thus, it is easier and quicker to establish contacts and develop relationships with them. Proving being trustworthy and committed is a prerequisite for future close relationship with these decision-making figures. Plus, the fact that they work mostly with one - two lamps manufacturers bespeaks for preference towards closer relationships based on trust, commitment and mutually beneficial results.

Individual characteristics
Similar to the purchasing pattern within the oil and gas industry, buying procedures at Elkabel and Kronospan set purchasing employees as decisive figures only when it comes to supplier choice, delivery, payment and documentation because they are not technically qualified to choose the type of lamps. Therefore, although the initial target is to be the lighting engineering personnel, winning the trust and disposal of the company buyers is another important issue so that reasonable prices fitting their budget are negotiated and relations are open and easy going. This is a necessary step in the relationship process because this is how eventual corruptive practices of the buyers could be minimized.
**Needs and product requirements**

The field research showed that the regularity of industrial plants’ purchases is monthly with volumes of a few thousands depending on the current needs. Despite the low switching costs in general, the big volumes could lead to considerable initial investment if the price is times higher. So this necessitates a quite convincing approach from Aura Light’s side, especially given the fact that the purchasing department has the habit of buying from different distributors/agents offering the best price. Because of the low complexity of the lamps and the availability of numerous cheap substitutes, the costs of finding such products and companies to deliver, install and provide maintenance are low. Plus, Elkabel prefers the usage of their internal labour force to provide the maintenance which again is quite low cost for the company. Additionally, an assumption can be made that due to their price sensitivity and availability of low quality manufacturers offering substitute lamps, the option to switch to another brand in case of a more appealing business offer is quite probable. This assumption is further strengthened by the fact that energy efficiency is an utmost need for both companies. And the same assumption can be made for the whole industry in Bulgaria where electricity is a leading cost in the total company costs. Plus prices have been rising since the beginning of 2007 along with the general inflation trends in the country. Therefore, focal convincing points that need to be emphasized on in the heavy industry are the quality and return on investment showing particular calculation tables, technical data, case studies, product samples etc. In addition, due to the fact that lighting sources are bought normally from the same manufacturer as the accessories for them, it is appropriate to think of an appealing whole package.

**Uncertainties**

The need uncertainty of the companies is low since the lamps needed are not so specific and complex which does not make the choice difficult. The transaction uncertainty is low as well due to the numerous distributors/agents offering the products the company needs. And finally, the market uncertainty is rather low as well because the differences among all products offered by manufacturers in Bulgaria are not big and significant.
Interaction process

As evident from the empirical data, the close relations with the company buyers are as important as those with the people having the decision making power. It is imperative that as a new supplier Aura dedicate its resources to build and maintain close relations with all parties in the buying process because regular communication and physical contacts are vital signs of interest from the supplier’s side. Such interest could be expressed in the form of consultancy as for example the case when Elkabel was consulted by non profit organizations to undergo complete change of current lighting sources with energy efficient ones. Taking part in such consultancy via an interest national association, as mentioned before is a way for Aura not only to increase its organizational learning but also to gain good reputation.

Summary

Based on the above made analysis of the heavy industry, the buying strategy of the researched representatives of this industry is summarized as follows:

Table 3.3

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Competitive buying</th>
<th>Cooperative buying</th>
<th>Command buying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragmented lamp industry</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concentrated customer industry</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Not complex products (low switching costs)</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centralized buying</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wide network of end suppliers/price orientation</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Low need,</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As indicated in the table, the situation is quite similar to the one in the oil and gas industry. The companies have dominantly competitive buying behaviour combined with some aspects of long term cooperation. However, the latter is more a result of unchanging conditions regarding the price, product specifications, needs and requirements which determine easy, smooth and routine relations. For this reason, ‘breaking’ the current relations and integrating into the suppliers’ network of these companies is possible. Thus, the proper combination of the unique technical features of the products, reasonable price of main product line and additional lighting products offered directly by Aura or indirectly via an experienced local company is the appropriate solution to customer needs and preferences. Also the interaction strategy is to involve targeting the interest of the engineering personnel in the very beginning and gradually afterwards the trust and favour of the buyers so that an uncorrupted easy going interaction is secured.

**Lighting Services Industry**

**Industry characteristics**

As shown by the empirical data, the lighting services industry is a fragmented one and competition is mostly based on the quality of consultancy, delivery, execution and
maintenance. And the trends towards full system projects (in contrast to the style of separate purchases several years ago) further boost the development of this industry. Additionally, this industry is a rapidly growing one and due to the fast growth rate of the national economy as a whole, there are many future perspectives for the businesses in this industry.

**Company characteristics**

As a leading representative of this industry, the approached during the field research Hit Lighting has implemented various projects with outstanding results in a short time. The basis of the successful performance has to do with high flexibility, big capacity and good work organization. For this reason, it is important that Aura Light establish contacts in the beginning with service providers that offer best quality of products and services in diverse private and public sectors since their performance is tightly connected to the impression the end customer will have about the lamp manufacturer.

**Individual characteristics**

Due to the long term contacts with the lamps manufacturers and suppliers, the company buyers have close relations with them and know well their partners’ policies and procedures. Hence, detailed knowledge (e.g. company reports, references, technical data, samples etc.) about Aura is an important prerequisite for building and sustaining trustful and close relationships.

**Needs and product requirements**

As marked in the empirical results, the needs and product requirements of the company differ depending on the particular project. Aura’s products could have successful application in food, chemical, cosmetics and pharmaceutical industries since the latter Hit Lighting views as big potential customers and also considers quality as becoming stronger influential factor than price. And because of its thermo, gourmet etc. lamps designed for specific areas Aura has the clear ability to answer these needs and offer the best solution for different conditions. For this reason it is a winning move to employ good consistent marketing tools and target concrete customers as ‘pilot’ projects in the biggest Bulgarian cities. Outstanding first
impression is a prerequisite for future expansion and this impression is to be achieved through apt exemplary projects.

Uncertainties
Similarly to the other industries, here the need, market and transaction uncertainties are low as well. Since the company consultants provide on time help if the end customers face difficulties specifying their needs, the most appropriate tactics Aura could apply as a new marketer are to try to increase the market uncertainty by strongly pointing out the advantages and superiority of its long life solutions. And because of the needs and requirements of Hit, the latter seems inclined to work with other producers provided a better offer is made.

Interaction process
Due to the existence of three major lamps producers the company works with, it can be assumed that the company favours easy, smooth and based on mutual trust communication. This in turn facilitates the numerous project works of the company. Consequently, the fewer the strategic suppliers, the more efficient the overall business operations of the company are. Therefore, there is a clear option for Aura to establish stable relations with it.

Summary
Having analysed the above customer characteristics, the strategy of the company is summarized below:

Table 5.1

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Competitive buying</th>
<th>Cooperative buying</th>
<th>Command buying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragmented lamp industry</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fragmented customer industry</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Feature</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Not complex products (low switching costs)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centralized buying</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low need, market and transaction uncertainty</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Three lamps manufacturers</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>High proportion of purchases from the latter</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Long relations with the latter</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>No new manufacturers recently taken</td>
<td></td>
<td></td>
<td>√</td>
</tr>
</tbody>
</table>

Apparent from the table based on the theory, is that features of competitive buying are dominant. However, there are also features of cooperative buying as in the case of the previous industries. Hit, like many of its competitors, strives for better quality performance in general, which increases the probability to switch to another lamps producer provided superior quality and innovativeness are offered. So, the long-term cooperation based exclusively on trust, shared goals and benefits as constituted in the theory, is not fully seen here. For this reason, the strategy could be viewed as competitive and in case of an appealing business offer new good relations can be easily built. And in fact, the latter is easier in the lighting services industry compared to the previous two industries since the services providers are emphasizing on good quality products and price seems to be of less influence. Plus, it turns out that the fewer suppliers and closer relations with them, the easier the operations of the company are. So obviously the close cooperation is a desired alternative to a random
competitive buying whenever a new project is commenced. This complex behaviour requires Aura’s interaction strategy to focus on relationship capabilities along with the innovative product solutions and technical competencies. It is essential to prove the image of a reliable, committed, loyal and long-term oriented business partner.

5.3.1.1.2. Public customers

Due to the specific features of governmental (public) customers, the analysis of the latter will stress on the needs and product requirements, interaction processes and contact patterns, uncertainties, regulations and bureaucratic procedures.

Needs and product requirements

As the empirical findings from the three presented municipalities indicate, the lighting sources are mainly energy saving sodium and fluorescent lamps. Since the latter are purchased as a part of a whole package via a bidding procedure, the frequency of the future purchases could be expected to increase at least the next few years due to the numerous infrastructure rehabilitation programmes planned. Additionally, empirical results show that price sensitivity is still high which necessitates the careful preparation of a full system offering so that the overall costs are not too high. Further, the fact that EU supports a lot of towns and cities in infrastructure improvement projects through providing 100% grants after the approval of the project and budget means that a bid winning company could be one with the best package offered even if it is more expensive. Provided the quality of the products, delivery and implementation terms, services and maintenance offered in the package are outstanding, the higher price of the lamps leading to a higher final price may not negatively affect the buying decision. Thus, Aura’s high quality long life solutions as a part of a full systems offering can contribute to the winning of the implementation management at open biddings. Because of the low complexity of the products, the purchasing pattern and price sensitivity, the decision to switch to high quality long life lamps is mostly a matter of convincing the public customer that investing more in the beginning is to be paid back along with the less maintenance provided. The latter will inevitably be taken into consideration because the municipality pays for this maintenance separately.
Uncertainties
The market, need and transaction uncertainties of public customers are generally not big. Since in case of market uncertainties the consultancy of Eneffect is sought, it is an appropriate approach for Aura to be in good relations with this non profit organization so that the latter acts as a ‘facilitator’ in the relations with public institutions. It is important that Aura manages to increase market uncertainty of not only private but also public customers in order to make the unique product features and technical supremacy well known because as mentioned in the societal analysis, reputation and positive popularity are critical decision making factors.

Regulations and procedures
Due to the fact that the majority of municipalities work through a bidding procedure strictly following the Law, it is easy for Aura to learn all details and be able to accurately apply its capacity to participate. A highly important point is that because of the buying procedure Aura (or its distributor provided its main activity is lamps supply) has to work with subcontractors or with a lighting services company that offers full project execution. In this respect it has to be highlighted that the option of direct sales to a public customer still exists. The other legal means of procurement through an internal municipal division is a way for Aura to sell its lamps directly to the municipality which will further on be in charge of mounting and maintenance. Generally speaking the latter option is more pertinent for smaller cities and towns, as obvious from the empirical data. Hence, it is important that Aura has extensive knowledge and local skills so that it checks regularly for announcements and gathers substantial information on the purchasing policies of different municipalities, especially in the warmer seasons when is the boom of public lighting projects.

Interaction process
Due to the specific characteristics of the interaction process and contact patterns in the public sector, there is no big need for aiming at building close relations and maintaining regular contacts as in the private sector. However, it is essential that public customers have extensive preliminary knowledge about Aura’s products, experience, resources and capabilities long before it takes part in a particular bid. Therefore, it is appropriate for the company to popularize itself as an initial step
which will have positive affect over potential customers in both the private and public sectors.

**Summary**

As a result of the analysis of public customers so far, the buying behaviour of the latter can be considered as based on rationality, efficiency and strict bureaucratic procedures. The leading influential factors for decision making are the quality of the whole package offered, the final price (especially if it is not an externally financed project) and good experience and reputation of the company. In order to meet the needs and requirements of public customers, the most relevant interaction strategy for Aura to apply is the problem-solving ability to learn of and adapt to various customer situations and offer innovative technical solution with a flexible financial scheme. Additionally, it needs to keep updated information about externally financed projects where the price will normally be of less importance for the municipal authorities and thus give even bigger competitive advantage for Aura.

The fundamentals of the municipalities’ buying behaviour are summarized in the figure below:
5.3.1.2. Customer Analysis – Romania

5.3.1.2.1. Private customers

In this sub chapter we will focus on the needs and product requirements, the industry, company and individual characteristics, the purchasing process and uncertainties of potential business customers as well as the possible strategy Aura can apply in the Romanian lighting services industry.

Industry characteristics

Similarly to Bulgarian lighting services industry, the Romanian one is quite fragmented with companies offering full system solutions in public and commercial lighting which makes competition tough and based mostly on the quality of products and services and the maintenance afterwards. There is big potential in this industry especially given the big size and population, fast economic growth rate of Romania and increasing preferences towards full engineering in lighting.

Company characteristics

The customer portfolio, capacity and experience of the two companies interviewed during the field research prove to be of high significance when it comes to assessing

Figure 5.1
the most potential customers for a lamps manufacturer like Aura Light. Big companies in terms of size, product line, professional human resources and long experience in various private and public projects are the ones that have in their customer portfolio the biggest and most solvent companies in the country. The latter are exactly the end customers that might be willing to try innovative, high quality lighting solutions.

**Individual characteristics**

Similarly to the Bulgarian lighting services company, the two Romanian companies have had contacts with the lamps suppliers/manufacturers for a long time and this necessitates that company buyers have detailed knowledge about their business partners. Thus, a new marketer needs to be quite familiar to the buyers. As also implied during the companies’ interviews it is important that both the engineers and buyers have good knowledge about Aura in order to work closely without risks and ambiguities. So providing in the very beginning technical data, references, samples, calculations etc. is of utmost necessity for Aura to build its customer network and win the favour and trust of the local businesses.

**Needs and product requirements**

As in the case of the Bulgarian lighting services company, the Romanian companies see the positive trend towards high quality products in contrast to low price ones which gives advantages for Aura and its supreme products. Plus, the Swedish company has wide product line which can easily meet different needs and technical requirements. For this reason, it has to also offer its other lighting products in addition to the long life line.

**Uncertainties**

Although the need, market and transaction uncertainties are insignificant and the product complexity is low, there is an option for ‘manipulation’. The most appropriate tactics Aura could apply in order to ‘break’ the existing relations are to try to increase the market uncertainty by strongly pointing out the advantages and superiority of its long life solutions. And since the quality of the overall business performance is of great importance for the companies, the latter might easily get ‘manipulated’ and
become uncertain about the quality and technical features of the currently used products.

**Interaction process**

The individual pattern of communication in the companies requires a regular contact with the customers, readiness to learn their specific needs and adapt to them. As implied during the interviews they value openness and confidence which thus necessitates that Aura showcases its good experience and name. Plus, the companies have the strategic approach of growing via cooperation with reliable, serious and committed international partners which is an additional factor contributing to the possible change of the currently used products with the innovative high class Aura’s products.

**Summary**

Based on the analysis so far, a table is made below to summarize the major characteristics of the buying strategy in the lighting service industry.

**Table 5.2**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Competitive buying</th>
<th>Cooperative buying</th>
<th>Command buying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragmented lamp industry</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fragmented customer industry</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Not complex products (low switching costs)</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Centralized buying</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Low need, market and transaction uncertainty</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Two-three lamps manufacturers</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High proportion of purchases from the latter</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long relations with the latter</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No new manufacturers recently taken</td>
<td>√</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the concepts of relationship marketing theory, customers’ strategies can be classified in three major groups as shown above. However, similar to the previous company cases, the existence of combined features is observed. The strategy can be considered as competitive with cooperative features meaning that the companies tend to buy competitively and constantly look for new better alternatives but once the latter are found, trustful steady relations might be established until the cycle begins again. The two companies have been in stable relations with their lamps suppliers for a long time but during the personal interviews, they also expressed openly their interest and willingness to increase the quality and services of their companies via more modern and technologically advanced products. Likewise the Bulgarian company, this makes the Romanian lighting services providers open to new cooperation which matches Aura’s current relationship approach towards customers. Therefore, the similar interaction strategy can be applied – accentuation on differentiating the supreme product characteristics and building the image of a committed, serious and faithful partner ready to quickly provide customized support.

5.3.1.2.2. Public customers

Analogically to the analysis of Bulgarian public customers, in this sub chapter we will analyse the needs and product requirements, interaction processes and contact patterns, uncertainties, regulations and bureaucratic procedures of Romanian public customers focusing on Craiova Municipality as a representative public customer.
**Needs and product requirements**
The needs and requirements of the Romanian municipality are very much like those of the Bulgarian municipalities. Here there is also the clear preference to well balanced price, quality, services and maintenance. Plus, full engineering in lighting is a requirement in every bid. Thus, in order to find a solution in this case and be competitive on the market, Aura has to look for good partners to cooperate with in this segment (subcontractors or a lighting services company that offers full project execution).

**Uncertainties**
Generally the uncertainties of the municipality are low due to the lack of very dynamic technical development of the lamps in general and changes in the needs. However, as in cases of professional consultancy the local governmental institution turns to Socer, it is apparent that it values the experience and advice of this organization. Therefore, it is an apt approach for Aura to be in good relations with such interest associations which might significantly add up to the good image of the company as well as to its local knowledge and abilities to understand the trends and preferences in the segment.

**Regulations and procedures**
Normally as the majority of municipalities work through a bidding procedure strictly following the laws, it is easy for Aura to learn all legal details and be able to participate accurately in public lighting projects.

**Interaction process**
Although regular communication with municipal officials is rather limited and uncommon in contrast to the one in the private sector, it is important that Aura manages to provide public customers with substantial preliminary information about itself because the good reputation is a very strong influential determinant in buying decisions. The Swedish manufacturer is not known on the local market at all, so it is of strategic importance to market well itself. And an appropriate way is through interest associations, as mentioned above as well as through participation in annual fairs, professional seminar, mayors’ meetings on energy efficiency problems etc.
Summary

Similar to the buying behaviour of Bulgarian local governmental customers, the behaviour of Romanian municipalities in the face of Craiova municipality is summarized in the figure below:

Figure 5.2

By and large, the municipalities, as governmental institutions have to follow strict bureaucratic procedures adhering to different laws and regulations, prove efficiency and rationality in their choice as well as meet the allocated budget. The winning company in a bid is the one with the best full package offer, reasonable price and good reputation. Therefore, the successful interaction strategy in this segment depends a lot on Aura’s capabilities to find the right balance among these major criteria and to work with a well known reputable local company. The latter will not only facilitate the performance in this segment but also the whole process of adaptation to the local market, acquiring knowledge, improving organizational capacity and building customer relationships.

5.3.1.3 Summary of Customer Analysis in Bulgaria and Romania

As evident from the analysis of potential customers in Bulgaria and Romania, there are many similarities among customers in the two countries. The table below summarizes all main features of the analysed customers’ buying behaviour on the basis of which the most appropriate influential tactics are drawn out. The latter are
further stressed on in the next sub chapter when coming up with the key success factors for the case company.

**Table 5.3**

<table>
<thead>
<tr>
<th>Segments</th>
<th>Buying Behaviour</th>
<th>Influence tactics (Aura’s strategy)</th>
</tr>
</thead>
</table>
| Public lighting (municipalities) | - full package offering  
- reasonable price  
(close to average market one)  
- good company reputation and experience  
- strict legal procedures  
- little individual interaction | - cooperation with an experienced local company  
- adequate knowledge about competitor prices/careful pricing  
- try to increase market uncertainty  
- appropriate marketing/advertising tools |
| Oil and gas industry     | - competitive buying  
- centralized buying/difficult interaction with decisive figures/risk of corruptive efforts  
- features of cooperative buying  
- big willingness to switch to others in case of appealing offer | - a well balanced offer  
- try to increase market uncertainty  
- targeting first the engineers in charge, not the buyers  
- adequate knowledge of internal procedures and policies  
- careful approach towards bribes (if not handled by a distributor)  
- subtle marketing (samples, references etc.) |
| Heavy Industry           | - competitive buying  
- centralized buying/risk of corruptive efforts  
- features of cooperative buying  
- big willingness to switch to others in case of appealing offer | - a well balanced offer  
- try to increase market uncertainty  
- targeting first the engineers in charge, not the buyers  
- careful approach towards bribes (if not handled by a distributor)  
- subtle marketing (samples, references etc.) |
| Lighting services Industry | -competitive buying features of cooperative buying -preference for relations with fewer lamps manufacturers -big willingness to switch to others in case of appealing offer | -try to increase market uncertainty -stable proof of quality and experience -prove being trustworthy, serious and committed -competitive pricing + supreme quality = balance |

The buying behaviour of public customers shows that it is important for Aura to approach the public lighting segment of both countries with a very good full package offer. Therefore, the Swedish company has to stress on the ability of building stable relations with experienced and reputable local companies that can act as subcontractors or full lighting services providers so that the case company has a full value chain secured before taking part in a public bid. Additionally, the company needs to effectively ‘advertise’ itself on the market via interest associations, professional fairs, energy efficiency events etc. as well as keep updated information about various externally financed public lighting projects where the less importance of the price issue will give it further competitive advantages.

Both the oil and gas industry and heavy industry provide opportunities for regular sales in big volumes in case of reasonable price offers and exceptional quality. The lighting services industry offers prospects for various project works with bigger emphasis on quality products rather than low price ones. In all the three private sectors buying is mostly competitive but there are possibilities for changing the current behaviour and switch to higher quality long life products because there is no exact distinguish between cooperative and competitive features as indicated by the relationship theory. There are definitely signs of long term relationships but the businesses and markets are still not mature enough, as for example Scandinavian and Western European markets. The businesses are more short-term, profit oriented and do not value the long-term commitment the same way as businesses do in mature markets. This also has to do with the business mores and ethics that do not view frequent switching to different suppliers and customers as unethical and unprofessional but rather as a way of finding better opportunities. This is the fundamental way of doing successful and sustainable business in these countries. In
fact, the whole external institutional environment has big influence over this business approach. The unclear and still insufficient legal system, the long years of changes and uncertainties in politics, cheap labour force, grey economy and wide corruption practices have ‘enforced’ local companies to follow a different business behaviour (from the Western one) in order to be flexible and survive on the market. For this reason, Aura needs to first learn of and adapt to the local environment and customer specificity, establish appropriate networks with experienced local services providers and accentuate on its customer loyalty, commitment and reliability via regular interactions with the engineering personnel (not purchasing department only) as well as clearly differentiate itself and its supreme products through relevant marketing techniques. What is more, the successful initial performance on the domestic market and positive feedback can certainly act as a strong convincing factor for other potential customers and a multiplier of the business connections.

5.3.2. Competitor Analysis
As presented in the theoretical framework a complete competitor analysis will be used to denote the strategy, objectives, assumptions, resources and capabilities of firms manufacturing and offering on the local markets a class of products that are close substitutes to Aura’s products. Using Grant’s model we will analyse the described in the previous chapter competitors and come up with predictions for their future moves. The competitor analysis follows the same pattern for Bulgarian and Romanian markets.

5.3.2.1. Competitor Analysis- Bulgaria

Philips Bulgaria

Strategy
As evident from the empirical data, Philips relies a lot on its good image and medium prices affordable for every customer (consumer) on the Bulgarian market. The economies of scale and low cost production make the application of cost strategy easy along with well balanced brand management.
Objectives
On the basis of the publicly available data for the company’s goals, the latter can be explained as focused on sustainability, environmental and social responsibility. The activities of the company on the Bulgarian market for the time being comply with these goals and provided the competitor manages to spread these objectives on all levels- corporate, business and functional- the company’s strategy will be supported in the long run.

Assumptions
The assumptions of Philips for strong market positions due to the famous name and wide distributor network are matching the Bulgarian reality to a big extent since for Bulgarians it is important to know well the company, to have easy access to its products everywhere in the country and to receive flexible payment options. Plus, the long presence of Philips on the local market adds up to the good knowledge of the local culture and ability to predict changes in preferences.

Resources and capabilities
Normally the highly diversified product line combined with long traditions and history explain the big capacity to reach customers in various industries and to answer their specific needs and requirements. On the Bulgarian market this is also the case because Philips obviously develops its strengths on the lighting market through active participation in private and public projects along with strong local partners. Thus, it not only strengthens its brand image but also increases market share and revenues. And apparently for the time being the lower quality of the lighting sources is compensated by these factors.

Predictions
On the basis of the analysed four factors above, it could be predicted that if Philips sticks to the current strategy and continues expanding its distribution network it can be expected to maintain strong market positions in the future. Plus, the successful development of the other business divisions of Philips will normally have positive influence as well. For new entrants like Aura cost and brand advantages are difficult to fight, which thus makes differentiation a major option.
Siemens Bulgaria

Strategy
The strategy of Siemens in Bulgaria can be generally viewed as oriented towards close partnerships and innovative products under the two brand names Osram and Sylvania. In fact, Siemens can also take advantages of economies of scale and offer quite satisfactory prices for its products. And similar to its rival Philips, it might well rely on the good well known brand name.

Objectives
Since the major goals of the company coincide with their global goals towards environmental sustainability, this could be assessed as a wise approach because the general concern of Bulgarian society towards environment is still low and being one of the initiators in this area is an appropriate tactic towards business partners and the public.

Assumptions
The activities of Siemens’s lighting division are in accordance with its strategy and obviously the company holds right notions about the industry in general since the market shares of the two brands increase as result of good products, marketing and consecutive customer satisfaction.

Resources and Capabilities
Like Philips, Siemens also has diversified businesses worldwide and long history which therefore leads to big overall capacity and abilities to quickly supply full range of lighting products to customers in all parts of the country. For this reason, through its active partnerships and participation in public and private projects it actually strengthens its image and strong positions.

Predictions
Similar to its competitor Philips, Siemens can anticipate its continuous growth especially given the fact that both trade marks - Osram and Sylvania - are equally strong on the market and the company applies the same strategic approach to both. Any breakthrough innovations might raise the final price but due to the fact that their
current prices are quite affordable\textsuperscript{13}, it can be expected that the price level would not be high and change the overall strategic approach of the company. Again for the same reasons Siemens is a strong competitor like Philips that has to be counteracted the same way.

**General Electric (Tungsram Bulgaria)**

*Strategy*
From the public information available for the strategy of GE Romania it can be understood that it concentrates on working closely with distributors that share common goals towards customer service and satisfaction. This can be definitely considered an appropriate move for a foreign investor who aims at enforcing its global objectives on the local market.

*Objectives*
The local objectives are in tone with the strategy the company applies since the wider net of loyal and committed local distributors can do spread the values of the company as well as increase its customer portfolio.

*Assumptions*
The activities of Tungsram in Bulgaria show that it is oriented towards providing full system solutions in lighting and this can be regarded as an appropriate approach because the general trends in Bulgaria are towards full engineering both in public and private sectors (supported further in the analysis of customer profile). Through this approach GE can practically involve itself (or its distributors) fully in the projects and provide customers with full range of lighting products.

*Resources and Capabilities*
Since GE (and respectively Tungsram) is a major player in the world lighting industry, it is capable of providing diverse product line, prompt delivery and stocks, customer services and financial support. And similar to its major rivals, it does develop its capabilities through active project implementation which is a leading factor for success in this industry on the developing Bulgarian market.

\textsuperscript{13} Refer to the price list of competitors in the Appendix
Predictions
GE and respectively Tungsram are also favoured by good popularity and market positions and a pragmatic forecast is the continuous growth of the company in the same strategic directions. Though having a smaller market share than the other two rivals, Tungsram has similar objectives for the local market and this makes competition even tougher.

Svetlina AD
Strategy
Based on the company description in the previous chapter, Svetlina can be viewed as a local producer following a cost strategy allowing it to offer lower prices than A brands but similar quality. This strategy could be maintained in the long run if the production costs remain the same (or do not drastically rise) and the company manages to keep up with the new technologies and trends on the world market.

Objectives
The objectives are positively correlated to the strategic approach of Svetlina. The product segments where it has directed its efforts can be considered as most potential on the local market. Plus, it might be expected that energy efficiency will be part of 90% of the lighting solutions used in private and public sectors due to EU and governmental regulations. This, of course, can further boost the accomplishments of the set goals.

Assumptions
The company has sound assumptions about the market and positively has the advantage of being local which gives better knowledge about customer needs and one step ahead in customer preferences (as a national brand). Since it normally cannot compete in terms of size, capacity and R&D, the company has accurately acquired the tactic of focusing on only few product segments where to increase quality and maintain same low competitive prices.

Resources and Capabilities
As its competitors Svetlina devotes a lot of resources in stable relations with customers and distributors and participates in both private and public projects.
Therefore, it can definitely be said that there is a steady trend towards complete projects in lighting which is to be a major starting point for Aura when deciding on its entry strategy.

However Svetlina does not have mass production and enough investments in R&D which weakness in the future might lead to the situation when the company cannot meet customer demand.

Predictions
The company will keep the same strategy and can realistically increase its market share and become a major lamps supplier in households and energy saving segment on Bulgarian market provided it manages to engage better know-how, patents and/or R&D. Otherwise, it will continue to be a small local player with no considerable capacity. For Aura, this competitor does not pose such big threat for the time being as the previous ones.

5.3.2.2. Competitor Analysis – Romania

Philips Romania

Strategy
As it was introduced in the empirical chapter, in Romania Philips applies the same strategy as in Bulgaria which can be explained with the fact that the two countries have very similar economic and cultural features. In addition, the geographical proximity facilitates to a big extent the logistics and distribution network of the company especially given the regular exports of lamps from Turkey.

Objectives
The objectives of the company again logically follow the global ones and domestically the company is well popularizing them since it often organizes educative and charity programmes.

Assumptions
Likewise the notions the company holds for Bulgarian industry, it obviously sees a lot of potential in the Romanian market since it devotes considerable resources to expand its distributor network and maintain stable good relations with leading local
companies. This could be a reasonable tactic because the country is big and rapidly growing and the numerous underdeveloped regions throughout the country territory are soon to be subject to mass lighting projects.

**Resources and Capabilities**

In Romania Philips also targets big customers, projects and business partners so that it further strengthens its positive image which definitely supports its corporate strategy. In fact, the good reputation is an important factor because sometimes Romanians are ready to buy a product just because it has the Philips logo without thinking too much about the quality and durability. And actually the competitor well uses its capabilities to promote, advertise and increase the customer (consumer) value.

**Predictions**

As in Bulgaria, Philips can be expected to continue being a market leader. For other not so diversified lighting companies to compete directly may prove to be difficult. The fact that Philips is a leader in many industries already warrants it a natural advantage. Large seniority and proper investments in marketing is also helping push this organization as a major player in the Romanian market. Therefore, the new marketer’s ability to differentiate successfully is again of high importance in this case.

**Siemens Romania**

*Strategy*

Analysing the gathered data it might be said that Siemens Romania follows the same strategy as in Bulgaria focusing on its innovation and cooperative relations with customers and distributors.

*Objectives*

The empirical data shows that the company has the same objectives as in the previously analysed neighbouring market which in turn bespeaks about consistency with the global goals and corporate strategy of the mother company.
Assumptions
Like other companies in the industry, Siemens invests a lot in expansion of the local business network because it perceives the big Romanian market as highly potential and rapidly growing with key emphasis on innovative modern solutions.

Resources and Capabilities
As the empirical information indicates Siemens has a lot of capabilities that it develops constantly in projects for different customers including some of the biggest businesses in Romania.

Predictions
Siemens-Osram is a company growing at an unparallel rate. Like Phillips they have the seniority and a diversified product line that can help in pricing and R&D efforts. Future prospects represent a steady pace of growth for the firm within Romania. As innovation for Siemens is perceived as a differentiating factor with plausible benefits, a natural higher price tag will follow, a notion that can hinder the usefulness of the overall strategy with markets like Romania. So real breakthrough innovations from Siemens cannot be really a threatening aspect for Aura.

General Electric Romania
Strategy
The sales and marketing activities of GE Romania show that the company’s strategy is centred on maintaining wide relationships network and providing full system solutions in all possible industries at average market prices. In fact, the cost and distribution strategy of GE is quite feasible because of the economies of scale and suitable production location.

Objectives
The goals to constantly develop and support its employees, distributors and customers might be viewed as logical addition to the corporate strategy applied in Romania. The financial support and services for customers, regular close contacts and commitment are what might keep current customers and gain new ones.
Assumptions
The assumption that solid customer support and market presence are the key to the market growth is actually in the same thought as the company objectives. Hence, it might be thought as a successful approach for the time being since the country is still developing and the businesses are not mature enough and quite openly accept external support under any form.

Resources and Capabilities
Like its major competitors GE is highly involved in different construction and rehabilitation projects. And investing resources in environmentally and socially responsible activities certainly contributes to its solid brand name and competitive advantages.

Predictions
Judging by the successful performance of the company for many years and the sales revenues from the Romanian market it can be assumed that GE will keep on with the same strategy, expand it business network and participate in more and more challenging full system projects.

Luxten
Strategy
Studying the secondary data presented in the previous chapter it might be said that Luxten aims at a leadership strategy in full electrical services on a fairly concentrated market. The choice of the company to remain on the same market and grow there instead of expanding out of these borders could be regarded as a reasonable strategy due to the fast growth rate of the Eastern European region and the fact that this tactic allows them to have all man-power and resources within condensed regions.

Objectives
The goals of Luxten are in accord with their strategy and certainly contribute to the company’s successful performance on the market because for the time being it adheres to these goals and answers the requirement of one company to provide full system solutions in lighting and electricity.
Assumptions
Since the company accepts the Eastern European market as its best and only market of operations (for now) and collaboration within and outside the company as strategically important, it gives them strong positions and advantages.

Resources and capabilities
The overall performance of Luxten bespeaks for very solid resource base and capabilities in stable relationship building, achieving customer satisfaction and predicting industry changes. These strengths are result of encompassing a whole value chain of activities within one single entity and thus turn the company into a serious competitor when it comes to projects business.

Predictions
As one of the most profitable Romanian businesses with robust market know-how, cultural loyalty and allegiance, Luxten might be expected to continue having strong presence on the local market. Since the company is a serious competitor for the other foreign players, it could be assumed that the same applies to new entering companies like Aura (as further shown in the Customer Analysis).

5.3.2.3. Summary of Competitor Analysis in Bulgaria and Romania
The competitor analysis of Bulgarian and Romanian markets indicates quite tough competition. Additionally, the behaviour of all the big foreign players appears to be very similar. Philips, Siemens and GE apply analogous strategies on both markets mostly because of the geographical proximity, similar economic, political, social and cultural development of the two countries. Further, the three major world players are very similar to each other. They all can contribute from well known brand name, economies of scale, wide distribution networks and product lines. Normally these features help them maintain leading market players and in the meantime severe rivals for years. In fact, as the theory constitutes, the more similar their strategies and goals, the more they compete.

As far as the local competitors are concerned, they also cannot compete with Aura in terms of innovative and modern solutions. Their major strengths are the well known local brands with good traditions, knowledge and established relationship networks.
Additionally, it is important to stress on the fact that financial support provided to some customers (e.g. deferred payment terms, sponsorship, extra warranty periods etc.) can be accepted as a very good convincing factor in both countries. This has to do with typical national cultural assumptions – through any form of additional support the supplier shows its stronger commitment, special attention and willingness to have stable and long term relationships.

The table below summarizes the analytical results so far and compares the major players in the local lighting industry with Aura Light.

Table 5.4

<table>
<thead>
<tr>
<th>Company name</th>
<th>Competitive Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aura Light</td>
<td>-unique long life fluorescent lamps for diverse specific applications; -environment &amp; energy saving products, reducing waste; -constant R&amp;D in the same area; -high quality production based in Sweden; -ability to develop quickly and efficiently lighting solutions that their customers demand; -close relations with customers in various industries;</td>
<td>-unknown brand name on the target markets; -Prices of product line generally tend to be more expensive; -not so diversified product line in contrast to competitors;</td>
</tr>
<tr>
<td>Philips</td>
<td>-economies of scale=&gt; lower prices; -a very popular brand name; -highly diversified product line; -wide distribution network;</td>
<td>-lower products’ quality (difference between products sold in western and eastern Europe)</td>
</tr>
<tr>
<td>Company</td>
<td>Advantages</td>
<td>Disadvantages</td>
</tr>
<tr>
<td>------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Siemens-Osram</td>
<td>- A famous brand name; - Emphasis on innovation in energy saving lamps; - Economies of scale =&gt; lower prices; - A highly diversified product line; - Well established distribution;</td>
<td>- No real breakthrough innovations (they raise the final price which is aimed to be average market one).</td>
</tr>
<tr>
<td>and Sylvania</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Electric</td>
<td>- A famous brand name; - Economies of scale =&gt; lower prices; - A diverse product line in many industries; - Cross fertilization of R&amp;D functions to better establish innovative products;</td>
<td>- Lower market share compared to its competitive counterparts in the lighting segment.</td>
</tr>
<tr>
<td>Luxten</td>
<td>- Full electrical and lighting projects; - Diversified product line in several industries; - Extensive financial and other customer support; - Advantage of having a favourite national brand; - Well established local network;</td>
<td>- No economies of scale; - Lower investments in R&amp;D than competitors;</td>
</tr>
<tr>
<td>Svetlina</td>
<td>- Similar to A brands quality at lower prices; - Well established local networks; - Advantage of having a favourite national brand;</td>
<td>- Smaller production capacity; - Lower investments in R&amp;D than competitors;</td>
</tr>
</tbody>
</table>

Obviously major advantages of the competitors are the well known brand names, wide business networks, average to low prices, diverse product line and complete
project services. And as the analysis revealed, they will generally continue in the same strategic direction focusing more on energy and environment saving issues, increasing quality and expanding the existing distribution networks. When it comes to new market entrants our theoretical concept states that the key to profitability is not through doing the same as competitors but rather through exploiting the differences. Taking into account the empirical findings for the current customer needs and behaviour as well as the trends and competitive moves on the market, we consider that along with the product differentiation the case company can ‘learn’ from the experience of these competitors in terms of full range services and various forms of customer support. Aura can apply its utmost competencies to distinguish its products—the unique technical features and high quality which are not offered by any of the competitors as well as invest adequate resources in building networks with local companies that will assist the customer relations. Thus, the successful entry on these highly competitive markets is a matter of finding the right balance between the product supremacy and price, forming strategic cooperation and presenting itself through apt marketing tools.

Having analysed the potential customers and competitors on the local markets we will draw out the key success factors for the case company in the next sub chapter.

5.4. Key Success Factors for Aura Light

On the basis of the analysis in the previous sub chapters we will summarize the most essential important abilities Aura needs in order to enter successfully and prosper there—the key success factors. They are formulated in the figure below as indicated in our theoretical framework. The strategic abilities to be heeded include clear ability to differentiate the unique technical supremacy of the products; prove the image of a committed, loyal and trustworthy business partner; form a balanced business offer combining the high quality with reasonable price and outstanding services; apply relevant marketing tools in the different segments; and establish stable relationships with experienced services providers and interest associations which can further increase the organizational knowledge and skills about the local markets.
Having formulated the key success factors and analysed in details the external to the case company environment on both target country markets, we can make an evaluation of the most appropriate legal form of market entry in the next sub chapter.

### 5.5. Market Entry Strategy

As a result of the comprehensive market research so far, we can examine the most appropriate entry strategy for both country markets. Initially, the choice has been set between a distributor or an own sales company due to the corporate decision of maintaining production only in Sweden and thus excluding greenfield/brownfield investment as an option. And because of the unique product line and international experience of the case company so far, joint ventures and alliances as modes can also be excluded.

First of all, according to the theoretical concepts the sales company (subsidiary) as a direct entry mode requires bigger investments and risks, but in the meantime gives bigger control and revenues for the mother company. However, such mode is appropriate when bigger sales are forecasted and the future market potential can
compensate for the initial investment made by the mother organization. Therefore, it is not very appropriate at the moment to use this internationalization mode. Further, the company is not known on the markets and due to the currently tough competition and customer behaviour it might take time until registering substantial sales volumes. Additionally, the societal environments of the two target countries are very different from Scandinavian and Western European ones which necessitates that Aura’s representatives have extensive local knowledge.

In contrast, theory accepts indirect modes via an intermediary as a less risky and resource committed mode which coincides in this case with the entry node. Although the control of the mother company is generally lower, it is an approach that can facilitate Aura in managing effectively the local languages, cultural, legal and other differences. The specific culture, customer behaviour and still existing corruption in the two developing countries make the assistance of a local company a suitable way to handle the operations there, at least in the short term. Therefore, the most relevant entry strategy for Aura at this moment is to enter the markets via a distributor. The latter could be a local services provider company that can sell Aura’s lamps in complete projects both in public and private sectors. Furthermore, it is a pertinent approach to start sales activities through a big project e.g. construction project of a tunnel, subway, rehabilitation of airports etc. since the first impression will be positively influencing the next initiatives. And an experienced services provider with broad customer portfolio and well established networks is capable of convincing customers in the benefits of Aura’s products. As mentioned before in the analysis, the first impression is crucial for these societies and put metaphorically the case is pretty much like ‘one sheep to go, the rest will follow’. There are solvent potential customers so it is a matter of targeting the right ones in the very beginning. And the well established business network of a distributor can add up to the capacity of the company, facilitate its adaptation process and abilities to efficiently expand its local networks in the future.
5.6. Summary of Analytical findings

Derived from the analytical findings in this chapter the two target markets can generally be regarded as fast growing economies with many specific features that need to be taken into consideration before making the internationalization decision.

- The external environment of Bulgaria and Romania represents rapidly developing markets with stable macroeconomic and legal conditions, low cost labour force and numerous unexploited opportunities in different industries. Still undergoing major reformations, the two societies have solid grounds of social networking, widespread use of personal ties and corruptive practices in almost all spheres of social, political and economic life. The good reputation and first impression, outstanding past experience, different forms of support, accuracy, speed and flexibility are all valuable factors determining the commitment, seriousness and loyalty of a business partner. Since the overall successful performance of the case company on these markets strongly
depends on its abilities to build relationships, Aura needs adequate knowledge about the local values, morale, customs and social mentality because they directly influence the customer relationships development. In this respect, the professional interpersonal networks of strong local interest associations can positively leverage the organizational capacity of the case company needed in its entry process.

- The potential customers do not have complicated and frequently changing needs, and do not face big market and transaction uncertainties. Public customers are sensitive towards the energy saving qualities, price (if not externally financed), reputation and services offered as a full package by a single company during a strict open bidding in public lighting. Similarly, energy saving quality, price and experience of the company are leading decision making factors in the buying policies of customers in the oil and gas and heavy industry. In lighting services industry the modern solutions, innovativeness and technical supremacy as well as the reputation and customer orientation of the lamps manufacturer tend to be the most important determinants. For this reason, Aura needs to accentuate on its professional technical competences and customer focus through personal contacts, regular interaction with the engineering personnel (not only purchasing department), provision of references, sample products etc. Participation in fairs, professional exhibitions, energy efficiency events, non profit consultancy events etc. is crucial for the popularization, positive company image and establishment of customer relationships in both the public and private sectors.

- The lighting industry in Bulgaria and Romania can be characterised as a quite fragmented one. The biggest global competitors of Aura along with two local manufacturers form the major competition on the domestic markets and the analysis forecasted similar development in the future. Their main competitive advantages are the well known brand names, wide business networks, average to low prices, diverse product line and complete project services. Hence, Aura can certainly rely on a clear differentiation strategy regarding its unique innovative solutions as well as invest adequate resources in building networks with local companies that will provide assistance in excellent customer support and full project services.
Due to the specificity of the external market environment, the successful entry and establishment of stable customer networks requires that Aura employ its utmost resources and capabilities to differentiate the unique technical supremacy of the products, prove the image of a committed, loyal and trustworthy business partner, apply relevant marketing tools in the different segments, establish stable relationships with local interest associations and find the golden mean in balancing price, quality and services. In this respect, it is most appropriate for Aura to enter the markets indirectly via an intermediary in order to facilitate and speed up the process of adaptation, acquiring local knowledge and skills, increasing organizational capacity and exploiting fully competences without exposing to considerable financial and market risks.
6. Conclusions and Recommendations

In this section of the thesis conclusions will be made on the basis of the analytical findings in order to solve our main research problem as well as provide practical case specific conclusions. The section begins with answering the four research questions and consequently the main research problem. Next, recommendations will be given for the case company.

6.1. Academic Conclusions

This sub chapter will provide answers to the four research questions in the order followed in our research model. Finally, a solution of the main research problem will be given.

First Research Question

What is the external environment on the target markets?

The answer to the first research question has been found through studying the external for the MNC institutional environments of Bulgaria and Romania. Therefore, the empirical and analytical findings and respectively the conclusions can be to big extent used in other studies and by other external organizations.

The analysis of the external environment of the two target markets revealed two fast developing economies that since 1989 have gone through major reformations during the transition from communist to democratic regime. Though many more legislative and social reforms are to be implemented, the two countries are expected to continue their steady growth towards mature markets especially given the EU membership since January 2007. The stage of political, social and economic development of Bulgaria and Romania provides fairly stable conditions for foreign investors, lower than EU average labour costs and a lot of unexploited opportunities on different industrial markets.

The two societies still have some typical for centrally-planned economies features such as the solid grounds of social networking, widespread use of personal ties and corruptive practices in almost all spheres of social, political and economic life. Other
important aspects of the local cultural institutions having potent influence over the
business are the strong value of good reputation and first impression, accuracy, speed
and dynamism as well as flexibility, commitment, seriousness and loyalty. The
turbulence and unpredictability of the markets the past several years have affected a
lot the way local companies do business. They tend to be more short-term oriented,
flexible and easily changeable in terms of partnerships, business ideas, investments etc.

A company entering these markets needs to have extensive preliminary knowledge
about the cultural specificities and be open to different interest and professional
associations because the latter usually have strong and wide personal/business
networks. In societies where ‘who you know’ is a key ability for maintaining
sustainable business establishment of stable relationships with strategic business,
social and/or political figures is the most appropriate approach for foreign companies.

Second Research Question

What is the customers’ buying behaviour and how it can change?

This research question has been answered as a result of the conducted thorough
analysis of four potential private customers in Bulgaria in the oil and gas industry,
heavy industry and lighting services industry as well as three potential public
customers in the public lighting segment. Respectively in Romania two potential
customers in lighting services industry and one in public lighting segment have been
studied. And due to the fact that this is a typical case study, the results can be
generally applied to the internationalization strategies of other similar to Aura Light
manufacturers of lighting products.

The Private Sector

The study showed that the buying decision of the biggest company in the Bulgarian
oil and gas industry is mostly determined by the energy saving quality of the lighting
sources, the price, image and experience of the manufacturer. Since communication
and physical access to the refinery are very difficult and there are potential risks of
corruptive practices among purchasers, it is very important to be well aware of the internal policies and procedures of the company in order to plan meetings with the decision making figures.

The analysis of the biggest players in the Bulgarian wood processing and respectively cables and semiconductors industry showed very similar results as the one of the oil and gas industry. Due to the centralised purchasing procedures and risk of corrupted company buyers, it is essential that contacts are established with the engineers who also make their decision based on the quality, price, reputation and outstanding experience of the manufacturer.

The buying in both the oil and gas and heavy industry is mainly competitive but since long term relations exist with two lamps producers it can be assumed that the purchasing strategy is also to some extent cooperative. However, the study showed that in case of more modern, innovative products at similar price or a bit higher the companies can switch to another producer which shows that a new marketer can have the clear opportunity to increase their market uncertainty and establish good relations with them. It is a matter of a well communicated and balanced business offer.

The investigated lighting services providers in Romania and Bulgaria have analogous buying behaviour features. For the three companies the modern solutions, innovativeness and technical supremacy as well as the reputation and customer orientation of the lamps manufacturer tend to be the most important decision determinants. Additionally, the analysis showed competitive and cooperative features of buying. But, despite the current cooperative relations with two major lamps producers, the analysis deduced the existence of distinctive willingness to switch to another producer in case of a supreme offer. In fact, establishing relations with these companies could prove to be easier than in the oil and gas and heavy industry since the lighting sources are part of the whole package they offer to their customers and of course the better their quality, the bigger competitive advantage for the company.

All customers in the private sector highly appreciate the serious, loyal and committed attitude of suppliers who quickly learn of and adapt to their needs and requirements. Hence, this makes provision of references, sample products, detailed technical data etc. a very appropriate marketing tool for clear product differentiation.
The Public sector

The analytical findings indicated that the case municipalities in Bulgaria and Romania have also very common features. The fundamentals of the buying behaviour of the public customers are the energy saving qualities, price (if not externally financed), good company reputation and services offered as a full system package by a single company. Therefore, it is of utmost importance to invest sufficient resources in finding experienced reputable subcontractors or a full services provider. Due to the fact that public procurement is done in accord with particular laws and regulations, the procedures are very strict and it could be even assumed that they might become more bureaucratic so that transparency is guaranteed and corrupted practices are eliminated.

Because of the high influence reputation and past experience have on decision making, participation in fairs, professional exhibitions, energy efficiency events, non profit consultancy events etc. can prove to be a winning move towards popularization, positive company image and establishment of customer relationships in both the public and private sectors.

Third Research Question

How does competition appear on the target markets?

The answer of the third research question has been reached through detailed analysis of the strategy, objectives, assumptions, resources and capabilities of the three biggest foreign players (Philips, GE and Siemens) in the Romanian and Bulgarian lighting industries as well as of the biggest domestic player in each country market (Luxten and Svetlina). And since the analysis has been based on secondary data as well as primary one gathered during the personal meetings with customers on the field, the predictions made and respectively the conclusions can be used by other studies and producers/customers in the lighting industry of the target countries.

The case study revealed a very fragmented lighting industry in the two target markets. The competition has appeared quite though especially among the three major market leaders who have very similar strategies and overall performance on the markets and
as the theory constitutes, the more they are similar, the more they compete. The major strengths of these competitors are the very well known brand names and years of good reputation and tradition, wide distribution networks, economies of scale (low cost mass production) and quite diverse product line. These let them participate regularly in full system projects in public and private lighting as well as maintain low to average market prices and provide financial support in some cases. The latter is in fact done directly or indirectly via different public events which definitely strengthen their image of socially and environmentally responsible organizations. As evident from the predictions they will generally continue in the same strategic direction focusing more on energy and environment saving products, increasing quality, expanding the existing distribution networks and actively participating in full system projects.

As far as local competitors are concerned, apparent from the analytical findings is the adherence to cost strategy combined with fairly good quality of products similar to foreign competitors’. These producers also rely on famous company name with good traditions, wide well established and reputable business and social networks, extensive customer support and dynamic participation in complete lighting projects. In spite of the lack of economies of scale and big R&D capacity, these local players have stable customer portfolio and well handled long term relations, especially the Romanian company which provides complete electrical solutions. Therefore, the most probable predictions view them as continuing in the same strategic direction stressing on developing the energy saving quality of their products, improving services and widening the customer networks.

Fourth Research Question

How can the company establish operations on the target markets?

The response to the final research question is given as a result of the analysis of the external to the MNC environment – the societal and organizational environment with the detailed focus on the product market field (competitor and customer profiles). Since the evaluation is made also on the basis of the concrete internal environment of the case company, the conclusions are mostly valid for the latter. Due to particular corporate decisions and international performance of the case company so far, other direct and indirect internationalization modes are excluded and
only two have been analysed in the study, namely distributor and sales subsidiary, as alternatives of legally establishing operations on the target markets. According to the theoretical concept direct investments via an own subsidiary give bigger control and revenues for the mother company but also require more initial capitals and engage higher risks. Furthermore, the analysis of the external societal environment, potential customers and competitors showcased that building familiarity and a good name is the initial approach which in these societies might take time and thus postpone the registering of substantial sales volumes. In fact, our study has provided a comprehensive research of the markets and introduced to potential customers the unknown company Aura but it has not provided sufficient proofs for the volumes of expected sales.

In contrast, the theory views distributors as a less risky, less resources consuming and easier entry mode. Though it allows less company control, the analysis found the local intermediary as the most appropriate way for establishing operations on the Bulgarian and Romanian markets. The unawareness of the case company, the cultural differences, customer behaviour and tough competition on the two developing countries make the assistance of a third party a suitable way to handle the operations and facilitate the establishing of customer relationships.

**Main Research Problem**

Having answered the four research questions, in this sub section we will present the solution to our main research problem.

**How a highly-specialized multinational company operating in the lighting industry can successfully enter Bulgarian and Romanian markets?**

In the era of rapid globalization nowadays, expansion out of domestic borders towards big potential developing markets is an apposite way to conceptualize fast corporate growth. There are generally numerous perspectives in the lighting industry given the rising energy prices, increasing environmental concerns, regulations of national and EU governments, technical and technological development of the sector. However, internationalization to the not fully mature Bulgarian and Romanian markets requires extensive market study prior to entry. Therefore, we do this study through analysing
the external to the MNC environment –macro and meso environment- concentrating
on the product field (customers and competitors). The industrial market analysis is
based on Jansson’s Basic Institutional Model, Grant’s model and IMP Group’s model
for analysing the external environment, competitors (including the case company) and
customers respectively. Following the inter-organizational approach we have
examined the most important institutions influencing the abilities of the case company
to adapt, learn and utilize the external knowledge as well as the most significant
resources and capabilities it needs to apply in order to build stable customer
relationships. Since the latter are the key to successful performance on a new market.

After studying the major institutions of the external environment of each country,
namely legal system, professional and interest associations, culture, business mores,
labour market, financial market and government we have come to the conclusion that
both markets have relatively stable macroeconomic and legal conditions that do not
hinder the investment decision. The specific culture and business mores are strongly
influential institutions that shape to a big extent the business behaviour within the
countries. The widespread use of personal ties, social networks and corruptive
practices, high value of good reputation and first impression are all factors that require
clear abilities of the entering MNC to establish stable relations with key interest and
professional associations and local businesses which can positively act as a source of
local knowledge and skills, facilitator in the process of adaptation, brand image
creation and customer relationship building.

The conclusions about the major competitors on the local markets reveal that their
competitive advantages are the famous brand names and years of outstanding
performance, wide distribution networks, economies of scale, low to average market
prices, quite diversified product portfolio and full projects implementation. Therefore,
a new company entering the market has to clearly follow a product differentiation
strategy but also invest a lot of resources in building strong local networks in order to
accurately face the growing market trends towards full engineering in private and
public lighting and provide relevant customer support and services.

The potential customers in the two countries were investigated by analysing in details
their needs and product requirements, characteristics/regulations and bureaucratic
procedures, interaction processes and uncertainties. The buying behaviour analysis
has concluded that a new lamps manufacturer needs to clearly differentiate its unique technical competences and have the capacity to engage in personal contacts, regular interaction with the engineering personnel, provide outstanding references, sample products etc. Additionally, the growing market trends towards full engineering in lighting and the pattern of purchasing all lighting products from a single producer bespeak for ability to offer well balanced solutions and form solid relations with an experienced local lighting services provider. Further, participation in fairs, professional exhibitions, energy efficiency events, non profit consultancy events etc. has turned out to be crucial for the popularization, positive company image and establishment of customer relationships in both the public and private sectors.

The conclusions from the whole analysis have contributed to the proper evaluation of the most appropriate entry strategy. Adhering to the specific internal characteristics of the case company, the analysis concluded the indirect mode via an intermediary as a better alternative than the direct investment in a sales subsidiary because a local third party can facilitate and speed up the process of adaptation and organizational learning and exploiting fully company competences without exposing to considerable financial and market risks.

In conclusion, in order to successfully enter Romanian and Bulgarian markets, a highly specialized multinational company needs to apply its utmost resources and capabilities in acquiring substantial preliminary knowledge about the external institutional environment and performance of competitors as well as the buying behaviour of customers in particular market segments so that it can accurately evaluate the most appropriate entry mode and establish stable customer relationships.

**Theoretical conclusions**

The analytical findings supported the theoretical concept of relationship marketing theory that in purchasing the trends are towards decreasing the number of suppliers, outsourcing more activities to them and developing closer relations with them. However, the achieved level of development of these trends in the target markets is not the same as in highly developed countries where long-term stable relationships are important. And this we consider is the major reason why the interaction model we use for customer analysis did not fully match the empirical data in terms of buying
strategy. As explained in the analysis, the private customers in the two countries showcased features of both competitive and cooperative buying which made clear classification of the buying strategy difficult. The analysis concluded that the external institutional environment has big influence over this business approach. The unclear and still insufficient legal system, the long years of changes and uncertainties in politics, cheap labour force, grey economy and wide corruption practices have ‘enforced’ local companies to follow such business behaviour in order to be flexible and survive on the market. The local business mores and ethics do not view frequent switching to different suppliers and customers as unethical and unprofessional but rather as a way of finding better opportunities. Nowadays businesses are more short-term, profit oriented and do not value the long-term commitment the same way as businesses do in mature markets. And this seems the fundamental way of doing successful and sustainable business in these countries. Therefore, industry characteristics are not the reason for the accounted mismatch in the model and we consider that further research not in other industries but rather in other country markets (emerging ones) will be an appropriate continuation of this theoretical concept. In order to have a relevant buying strategy analysis in emerging countries we suggest introduction of another type of interaction strategy called ‘transition strategy’ which will more precisely present the buying behaviour of domestic customers and thus allow for a more carefully planned marketing strategy of the supplier (seller). In the figure below we have adjusted the described in the theory Classification matrix of Campbell (Figure 2.4) and illustrated our theoretical suggestion.
Figure 6.1

Adjusted Interaction Strategies matrix for seller-buyer relations

The current stage of the relationship showcased in our empirical findings – between independent (many buyers and sellers on the market) and interdependent (both the seller and the buyer approach the relation with a cooperation strategy) relationship.

6.2. Recommendations for the case company

In this sub chapter we will provide case specific recommendations that Aura Light should take into consideration before entering the two Eastern European markets.

Establish relations with local businesses

As this study concluded, there is a clear opportunity to establish connections with lighting services companies in both countries. Plus, these companies expressed open interest and willingness for future cooperation. Therefore, the first step Aura should do is to approach the people in charge with extensive technical data and calculations, good references from other successful projects in different segments and price lists. Big projects such as construction or rehabilitation of tunnels, subways, airport, ports,
etc. are executed by such services providers. We consider the best initial performance of Aura could be such a huge public or commercial project so that the positive first impression and feedback afterwards will definitely work as a multiplier for other projects and end customers. And having in mind the boom in construction/renovation that is forecasted to continue the next few years, there could be plenty of sales opportunities if the right local partner is chosen.

When approaching lighting services providers in Bulgaria and Romania (others than the ones presented), we do recommend careful investigation prior to contact because the size, capacity, experience and type of customer portfolio are the significant factors determining the potential of the company to really sell Aura’s products.

**Establish relations with interest associations**

There are a number of non profit organizations (including EU and other world foundations) that can act as very good source of gaining popularity and good image on the markets. Additionally, they consult both public and private organizations within the countries so this initiative is advisable to be done along with the first suggested step. The constantly organized activities in energy efficiency and environment protection, the workshops, seminars, professional fairs, exhibitions, public authorities’ gatherings are just a few examples of the many events that Aura can take part in. Plus, most of these organizations have regularly issued electronic and paper bulletins, brochures and magazines where advertisements are usually free of charge. The presented in the study two non profit associations do seek new technologies and modern solutions in energy efficiency so the interests are certainly mutual and cooperation with similar bodies will surely be beneficial.

**Approach potential end customers**

Companies in the oil and gas and heavy industry, such as the market leaders presented in the study can be very perspective end customers due to the big volumes of regular purchases. We recommend personal contacts with the engineers in charge providing them with detailed technical data, references and sample products. Due to the language barrier we experienced during our field research on Romanian oil and gas and heavy industry as well as the lack of language skills of the interviewed Bulgarian engineers, we do suggest the assistance of a local organization. By and large, we assess that establishing relations with these customers can be more resource
consuming and the successful accomplishment of the first two steps can actually facilitate this process. However, depending on the company decisions and capacity, this initiative could be done simultaneously with the rest.

The graph below exemplifies the practical step approach we suggest as a continuation of our research. This step approach indicates three main steps which, of course could be further extended towards the ultimate goal of establishing stable successful business operations. Sales issues and any business negotiation were out of the scope of our market research, therefore we cannot make any forecasts in terms of time, volume and type of purchases. However, as a result of the experience during our personal meetings in Bulgaria and Romania and the overall willingness and positive attitude of the interviewed people, we do advice Aura Light to make these next steps in order to fully decipher the real business potential of the target markets.

Figure 6.2
References

Articles


Books


Timlon J. (2005) *Realizing a New Marketing Strategy through Organizational Learning in Industrial Networks*, Doctor’s dissertation, University of Calmar, pg. 41


**Course Material**

**Internet Sources**

\textsuperscript{14} IMP Group members- Hakansson H., Gadde L., Johansson J., Turnbull P., Campbell N., Axelsson B., etc.

**Internet Sources –www.**
auralight.com
elba.ro
elkabel.bg
eneffect.bg
energobit.com
ge.com
government.bg
gov.ro
hitlighting.com
kronospan.bg
lukoil.bg
luxten.ro
obstina-bourgas.org
osram.com
philips.com
primariacraiova.ro
socer.ro
siemens.com
veliko-turnovo.bg
vratza.bg
unctad.org
WTO.org

**Online Press Releases**

Bill Avery (2004). *Bright Lights, Big City Philips Romania Comes Back in a Big Way.* Money Nations
http://www.moneynations.ch/topics/border/text/philips2.htm

http://www.zf.ro/articol_137793/luxten_lighting_sees_its_2006_profit_shrink_32_times.html

**Interviews**

**At Aura Light AB:**
1) Interview on 5\(^{th}\) February 2008 with Sara Berglund, International Sales and Marketing Manager for Nordic countries, Aura’s office in Karlskrona, Sweden
2) Interview on 5\(^{th}\) February 2008 with Anders Berg, VP Sales New Markets, Aura’s office in Karlskrona, Sweden
3) Interview on 3\(^{rd}\) April 2008 with Martin Malmros, CEO of Aura Light, HQ in Stockholm, Sweden
4) Interview on 3\(^{rd}\) April 2008 with Peder Engdahl, Marketing Director of Aura, HQ in Stockholm, Sweden
5) Interview on 4\(^{th}\) April 2008 with Matteo Lomanto, Sales manager for Italy, HQ in Stockholm, Sweden

**Interviews in Bulgaria:**
1) Interview on 7\(^{th}\) April 2008 with Bogdana Marinova, Lawyer in Burgas Municipality, the city hall Burgas
2) Interview on 7th April 2008 with Lybomir Novakov, Technical Director of Elkabel JSC, the HQ in Burgas
3) Interview on 7\(^{th}\) April 2008 with Vesko Karayotov, Electrical Department of Kronospan, the HQ in Burgas
4) Interview on 8\(^{th}\) April 2008 with Kamen Simeonov, Expert Consultant at Eneffect, the organization’s office in Sofia
5) Interview on 9\(^{th}\) April 2008 with Cecka Cenova, Engineer in Vratza Municipality, Vratza
6) Interview on 10\(^{th}\) April 2008 with Marian Zelenkov, Managing Director of Hit Lighting, the HQ in Parvomaici, Veliko Tarnovo
7) Interview on 11\(^{th}\) April 2008 with Hristo Grozev, Head Engineer for Public Lighting in Veliko Tarnovo Municipality
8) Interview on 14\(^{th}\) April 2008 with Ivan Popov, Head Engineer in Lukoil Bulgaria, Burgas
Interviews in Romania:
1) Interview on 16th April 2008 with Alexandru Pop, Marketing Director and Andras Vernes, CEO of Energolux (Energobit), the HQ in Cluj-Napoca
2) Interview on 17th April 2008 with Marian Boarna, Marketing Export Manager and Oana Mucenicu, Export Sales Representative of Elba, meeting in Bucharest
3) Interview on 18th April 2008 with Ion Mircea, President of Socer and Ovidiu Marinescu, Vice President of Socer, meeting at the organization’s office in Craiova
4) Interview on 18th April 2008 with the head engineers in Craiova Municipality (the meeting was held together with the previous one at the same place)
Appendix A - Data Collection
Case Study Protocol Illustration

Preliminary Questions

Pre-Interview with Aura Light

Secondary Data

Problem Definition

Case Study Design & Formulation of Interview Questions

Data Collection

Interview with heavy Industry firms
Interview with Local Municipalities
Interview with Non-profit Organizations
Interview with Lighting Design firms

Pre-Screening Telephone Interviews
Interview with Aura Light
Secondary Data
Direct Observation

Written Interview Notes

Interview Transcripts

Empirical Findings

Key Respondent Review
Pre-Questions for Aura Light

1. What do you hope to achieve from entering these two markets?
2. What mode of market entry do you usually take when entering new regions?
3. How do you currently combat competition?
4. What is your key selling point for Auras product line?
5. Do you provide only lamps or do you offer lamp and fixture packages?
6. What kind of relation networks do you build on your current markets now?
7. What is Auras current operational strategy?
8. Do you have an extensive energy saving product line?
9. Where is your production plant situated, do you plan to build production plants elsewhere?
10. How do your prices compare to that of other major players on the market?

Questions for Governmental Customers

1. What kind of lighting sources do you procure?
2. What specific requirements do you have for street, park, subway etc. lighting?
3. What is the procedure of procurement (e.g. arranging open bids, using municipality companies, own agency)?
4. Who takes part in the decision making process?
5. How long does this process usually take?
6. Do you look for external technical assistance from suppliers or other organizations or do you rely only on the engineer in charge within the municipality?
7. What factors influence your final decision? Can you rate them from the most to the least important?
8. To what extent are environmental issues important for you (using environmentally friendly products)?
9. Is the maintenance provided by lighting service company provider or do you have an internal division dealing with it?
10. If the latter is the case, is maintenance costs considerable part of your overall costs?

Questions for Private Customers

1. What kind of lamps do you and or most of your customers often buy?

2. Do your customers have concrete requirements about the types of lamps or do you help them with the decision?

3. When it comes to lamps producers, do you and or your customers express preferences towards particular brands?

4. What factors influence the decision for which supplier to choose? Can you rate these factors from the most to the least important factor?

5. Do you provide (require) maintenance and after sales services?

6. Are these costs considerable for you compared to other costs (not necessarily an exact nominative expression)?

7. Considering the numerous suppliers and products, do you often have uncertainties regarding the technical characteristics of the lamps and the supplier or are you easily persuaded to make straight, easy and quick decisions?

8. To what extent do you think customers are interested in long term lighting solutions and energy saving ones?

9. Is the environmental concern an issue for you and or your customers?

10. Are you and or they concerned about how they can protect the environment through using environmentally friendly products?

11. Do you prefer working with many suppliers in order to have many choices for strong long-term relations with them or do you prefer exclusive suppliers?
Upcoming Projects in Public Lighting in Bulgaria and Romania

The presented information below is secondary data gathered from official media and state and local governmental information bulletins.

Subways and metro

- Major renovations including changes of the whole lighting systems will be executed in the subways of Sofia, Bulgaria. Additionally, the metro will be further extended by the end of 2009. The implementation of the projects will be granted at open biddings.
- Subways renovations are planned for the next one year in most big cities in Bulgaria. The implementation will similarly be a subject to public bids.

Tunnels

- The Republic Road Infrastructure Department at the Bulgarian Ministry of Transport announced in April a bidding procedure for the construction project of a 13km tunnel ‘Struma’.
- An undergoing construction of an auto highway in Sofia includes three tunnels with a total length of 1.3km and is to be finished at the end of 2009. The company executing the construction is the Turkish company Mapa-Chengiz.

Airports and ports

- In approximately three years two new ports will be officially opened in the Bulgarian towns Carevo and Ahtopol (Southern east coast of Black sea). The construction is being executed by an Italian company and includes areas for trade centres, petrol stations, parking slots, amusement park etc.
- Rousse Airport (Northern Bulgaria) will be given under concession by the end of 2008 and will be thus fully renovated. Similarly, under concession are expected to be given five marital airports in the countryside that are planned to be turned into civil airports in the next few years.
- The construction of a new airport starts in 2008 near Plovdiv (second biggest city in Bulgaria) and is to be finished by 2013.
- In addition, new terminals are to be built at the existing airports in Varna and Burgas (East coast of Black sea). Projects will start at the end of 2008.
- Construction of an international airport in Brasov, Romania with annual capacity of one million passengers will be fulfilled by the end of 2009. The executing company is the Canadian Intelcan Technosystems Inc.
### Appendix B - Lamps Types From Major Players

<table>
<thead>
<tr>
<th>Name and brand of the lamp</th>
<th>Price (incl. VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluorescent tube 6W &quot;Sylvania&quot;</td>
<td>2.60 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 8W &quot;Sylvania&quot;</td>
<td>2.60 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 13W &quot;Sylvania&quot;</td>
<td>3.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 14W &quot;Sylvania&quot;</td>
<td>4.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W &quot;Sylvania&quot;</td>
<td>2.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 15W 45cm. bacterium &quot;Sylvania&quot;</td>
<td>25.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 30W 90cm. Bacterium &quot;Sylvania&quot;</td>
<td>35.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 15W Aquastar &quot;Sylvania&quot;</td>
<td>8.60 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 15W for plants Grolux &quot;Sylvania&quot;</td>
<td>7.40 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W for plants Grolux &quot;Sylvania&quot;</td>
<td>7.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W gourmet &quot;Sylvania&quot;</td>
<td>8.20 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W gourmet &quot;Sylvania&quot;</td>
<td>9.30 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 8W UV &quot;Sylvania&quot;</td>
<td>14.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W UV &quot;Sylvania&quot;</td>
<td>25.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 4W &quot;Philips&quot;</td>
<td>3.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 6W 54 &quot;Philips&quot;</td>
<td>3.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 13W 54 &quot;Philips&quot;</td>
<td>4.70 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W 54 33 &quot;Philips&quot;</td>
<td>2.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 30W 54 90cm. &quot;Philips&quot;</td>
<td>4.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 33 &quot;Philips&quot;</td>
<td>2.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 33 &quot;Philips&quot;</td>
<td>2.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 54 &quot;Philips&quot;</td>
<td>2.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 54 100cm. &quot;Philips&quot;</td>
<td>4.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 83 &quot;Philips&quot;</td>
<td>2.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 94 &quot;Philips&quot;</td>
<td>2.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W/830 TL-D &quot;Philips&quot;</td>
<td>4.80 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W 15 red &quot;Philips&quot;</td>
<td>8.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W 18 blue &quot;Philips&quot;</td>
<td>8.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W yellow &quot;Philips&quot;</td>
<td>8.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W green &quot;Philips&quot;</td>
<td>8.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 15 red &quot;Philips&quot;</td>
<td>8.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 17 G13 green &quot;Philips&quot;</td>
<td>8.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 18 blue &quot;Philips&quot;</td>
<td>8.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W UV &quot;Philips&quot;</td>
<td>30.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W UV &quot;Philips&quot;</td>
<td>22.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 13W 10 &quot;Osram&quot;</td>
<td>4.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 14W 830 40 T5 &quot;Osram&quot;</td>
<td>6.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W 830 &quot;Osram&quot;</td>
<td>4.80 BGL</td>
</tr>
<tr>
<td>Name and brand of the lamp</td>
<td>Price (incl. VAT)</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Fluorescent tube 28W 830 40 T5 INDP &quot;Osram&quot;</td>
<td>6.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 827 &quot;Osram&quot;</td>
<td>5.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W 30 red &quot;Osram&quot;</td>
<td>2.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 58W 150cm. &quot;Philips&quot;</td>
<td>4.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W yellow &quot;Philips&quot;</td>
<td>8.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W 54 &quot;Svetlina&quot;</td>
<td>1.20 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 23W 1m. &quot;Svetlina&quot;</td>
<td>4.00 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W 54 &quot;Svetlina&quot;</td>
<td>1.20 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W green &quot;Svetlina&quot;</td>
<td>4.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 18W red &quot;Svetlina&quot;</td>
<td>4.50 BGL</td>
</tr>
<tr>
<td>Fluorescent tube 36W red &quot;Svetlina&quot;</td>
<td>5.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 14W E27 6Y mini Ecoton &quot;Philips&quot;</td>
<td>14.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 16W E27 Ecoton &quot;Philips&quot;</td>
<td>21.50 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 20W E27 globe Ecoton &quot;Philips&quot;</td>
<td>22.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 23W E27 Master &quot;Philips&quot;</td>
<td>16.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 9W E14 Ecoton &quot;Philips&quot;</td>
<td>12.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 9W E27 2B1 A65 &quot;Philips&quot;</td>
<td>18.50 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 15W E27 Automatic &quot;Philips&quot;</td>
<td>18.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 15W 6Y spiral &quot;Philips&quot;</td>
<td>14.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 20W 6Y spiral &quot;Philips&quot;</td>
<td>13.70 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 23W 6Y spiral &quot;Philips&quot;</td>
<td>16.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact PL-S 9W G23 &quot;Philips&quot;</td>
<td>6.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact PL-S 9W 840 2P G23 &quot;Philips&quot;</td>
<td>4.50 BGL</td>
</tr>
<tr>
<td>Fluorescent compact PL-T 42W 840 4P &quot;Philips&quot;</td>
<td>11.50 BGL</td>
</tr>
<tr>
<td>Fluorescent compact PL-T 57W 840 4P Top &quot;Philips&quot;</td>
<td>17.20 BGL</td>
</tr>
<tr>
<td>Fluorescent compact PL-L 55W 840 &quot;Philips&quot;</td>
<td>11.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact PL-L 18W 840 4P G24 &quot;Philips&quot;</td>
<td>8.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact PL-L 4P 36W 840 2G11 &quot;Philips&quot;</td>
<td>8.50 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 9W E14 &quot;GE&quot;</td>
<td>16.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 11W E27 6Y &quot;GE&quot;</td>
<td>11.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 11W E27 6Y &quot;GE&quot;</td>
<td>10.50 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 15W E27 3Y &quot;GE&quot;</td>
<td>8.40 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 15W E27 6Y &quot;GE&quot;</td>
<td>11.60 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 15W E27 6Y globe &quot;GE&quot;</td>
<td>13.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 20W E27 3Y &quot;GE&quot;</td>
<td>10.40 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 20W E27 6Y &quot;GE&quot;</td>
<td>12.00 BGL</td>
</tr>
<tr>
<td>Fluorescent compact 23W E27 6Y &quot;GE&quot;</td>
<td>18.50 BGL</td>
</tr>
<tr>
<td>Fluorescent compact FLE11 TBXT3/827/E27 6K &quot;GE&quot;</td>
<td>9.50 BGL</td>
</tr>
</tbody>
</table>
Fluorescent compact FLE11 HLXT3/827/E27 6K спирада "GE" 10.00 BGL
Fluorescent compact FLE15 TBXT3/827/E27 6K "GE" 9.50 BGL
Fluorescent compact FLE20 TBXT3/827/E27 6K "GE" 9.50 BGL
Fluorescent compact FLE20 HLXT3/827/E27 6K спирада "GE" 11.50 BGL
Fluorescent compact 20W Dulux EE 1Y "Osram" 9.00 BGL
Fluorescent compact 23W Dulux 1Y "Osram" 8.50 BGL
Fluorescent compact Dulux 24W 840 Cool white 2G11 "Osram" 9.00 BGL
Fluorescent compact 26W Dulux G24d3 "Osram" 8.00 BGL

Source: Mikimak EOOD- a big distributor of lighting products, headquartered in Sofia, Bulgaria
LL T5 (diameter 15 mm)

<table>
<thead>
<tr>
<th></th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SYLVANIA LUXLINE PLUS</strong></td>
<td></td>
</tr>
<tr>
<td>LUXLINE PLUS FHE 14W G5 /--- /830 /--- /840 /865 x 25 6p.</td>
<td>3.10</td>
</tr>
<tr>
<td>LUXLINE PLUS FHE 21W G5 /--- /830 /--- /840 /865 x 25 6p.</td>
<td>3.65</td>
</tr>
<tr>
<td>LUXLINE PLUS FHE 28W G5 /--- /830 /--- /840 /865 x 25 6p.</td>
<td>3.95</td>
</tr>
<tr>
<td>LUXLINE PLUS FHE 35W G5 /--- /830 /--- /840 /865 x 25 6p.</td>
<td>4.15</td>
</tr>
<tr>
<td>LUXLINE PLUS FHO 24W G5 /--- /830 /--- /840 /865 x 25 6p.</td>
<td>3.35</td>
</tr>
<tr>
<td>LUXLINE PLUS FHO 39W G5 /--- /830 /--- /840 /865 x 25 6p.</td>
<td>3.95</td>
</tr>
<tr>
<td>LUXLINE PLUS FHO 54W G5 /--- /830 /--- /840 /865 x 25 6p.</td>
<td>4.05</td>
</tr>
<tr>
<td>LUXLINE PLUS FHO 40W G5 /--- /830 /--- /840 /865 x 25 6p.</td>
<td>4.55</td>
</tr>
<tr>
<td>LUXLINE PLUS FHO 80W G5 /--- /830 /--- /840 /865 x 25 6p.</td>
<td>4.74</td>
</tr>
<tr>
<td><strong>OSRAM LUMILUX</strong></td>
<td></td>
</tr>
<tr>
<td>LUMILUX FH 14W G5 /827 /830 /840 /865 x 40 6p.</td>
<td>3.20</td>
</tr>
<tr>
<td>LUMILUX FH 21W G5 /827 /830 /840 /865 x 40 6p.</td>
<td>3.95</td>
</tr>
<tr>
<td>LUMILUX FH 28W G5 /827 /830 /840 /865 x 40 6p.</td>
<td>3.95</td>
</tr>
<tr>
<td>LUMILUX FH 35W G5 /827 /830 /840 /865 x 40 6p.</td>
<td>4.15</td>
</tr>
<tr>
<td>LUMILUX FQ 24W G5 /827 /830 /840 /865 x 40 6p.</td>
<td>3.35</td>
</tr>
<tr>
<td>LUMILUX FQ 39W G5 /827 /830 /840 /865 x 40 6p.</td>
<td>4.05</td>
</tr>
<tr>
<td>LUMILUX FQ 54W G5 /827 /830 /840 /865 x 40 6p.</td>
<td>4.05</td>
</tr>
<tr>
<td>LUMILUX FQ 40W G5 /827 /830 /840 /865 x 40 6p.</td>
<td>4.55</td>
</tr>
<tr>
<td>LUMILUX FQ 80W G5 /827 /830 /840 /865 x 40 6p.</td>
<td>4.75</td>
</tr>
<tr>
<td><strong>OSRAM LUMILUX DE LUXE</strong></td>
<td></td>
</tr>
<tr>
<td>LUMILUX De Luxe FQ 24W G5 /--- /--- /940 /965 x 40 6p.</td>
<td>11.50</td>
</tr>
<tr>
<td>LUMILUX De Luxe FQ 40W G5 /--- /--- /940 /965 x 40 6p.</td>
<td>11.50</td>
</tr>
<tr>
<td>LUMILUX De Luxe FQ 54W G5 /--- /--- /940 /965 x 40 6p.</td>
<td>11.50</td>
</tr>
</tbody>
</table>
**LL T8 (diameter 26mm)**

**Price**

<table>
<thead>
<tr>
<th>SYLVANIA</th>
<th>/129 /125 /133 /154</th>
</tr>
</thead>
<tbody>
<tr>
<td>STANDARD</td>
<td>F 18W G13 /530 /540 /754 x 25 6p. 1.40</td>
</tr>
<tr>
<td>STANDARD</td>
<td>F 36W G13 /530 /540 /754 x 25 6p. 1.70</td>
</tr>
<tr>
<td>STANDARD</td>
<td>F 58W G13 /530 /540 /754 x 25 6p. 2.30</td>
</tr>
</tbody>
</table>

**SYLVANIA LUXLINE PLUS**

| LUXLINE PLUS | F 18W G13 /827 /830 /835 /840 /865 x 25 6p. 2.40 |
| LUXLINE PLUS | F 36W G13 /827 /830 /835 /840 /865 x 25 6p. 2.75 |
| LUXLINE PLUS | F 58W G13 /827 /830 /835 /840 /865 x 25 6p. 3.35 |

**OSRAM**

| BASIC | L 18W G13 /540 /765 x 25 6p. 1.40 |
| BASIC | L 36W G13 /540 /765 x 25 6p. 1.70 |
| BASIC | L 58W G13 /540 /765 x 25 6p. 2.10 |

**OSRAM LUMILUX**

| LUMILUX | L 18W G13 /827 /830 /840 /865 x 25 6p. 2.55 |
| LUMILUX | L 36W G13 /827 /830 /840 /865 x 25 6p. 2.95 |
| LUMILUX | L 58W G13 /827 /830 /840 /865 x 25 6p. 3.40 |

| LUMILUX DE LUXE | L 18W G13 /930 /940 /954 x 25 6p. 4.75 |
| LUMILUX DE LUXE | L 36W G13 /930 /940 /954 x 25 6p. 5.85 |
| LUMILUX DE LUXE | L 58W G13 /930 /940 /954 x 25 6p. 6.25 |

Source: *Pollux*- a big distributor of lighting products headquartered in Rousse, Bulgaria
The University of Kalmar

The University of Kalmar has more than 9000 students. We offer education and research in natural sciences, technology, the maritime field, social science, languages and humanities, teacher training, caring sciences and social service.

Our profile areas in research are: biomedicine/biotechnology, environmental sciences, marine ecology, automation, business administration and informatics, but we have research proceeding in most subject areas of the University.

Since 1999, the University of Kalmar has the right to accept students in postgraduate studies and to examine doctors within the subject area natural sciences.

Baltic Business School,
at the university of Kalmar
Visiting address: Kalmar Nyckel,
Gröndalsvägen 19
SE-391 82 Kalmar, Sweden
Tel: +46 (0)480 - 49 71 00
www.bbs.hik.se