The Swedish Market for Interior Doors;
Market Research.
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Abstract

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Key Words: interior doors, Sweden, market research, Classen Pol

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Problem: The problem of the paper is the structure and characteristics of the interior door market in Sweden.

Purpose: The purpose of the paper is to provide the possibly deepest research of the Swedish market of interior door.

Method: The research constitutes of several parts. The theoretical framework derives from dependable literature, namely books, articles and journals. The data about the focal company is mostly of the primary type, gathered through series of interviews with Classen Pol's vice-chairman and a questionnaire filled in by the marketing manager of the company.

Result: The result of this paper is a description of the interior doors market in Sweden. Existing producers, distributors, sellers and importers are presented. Moreover, the author presents the optimal distribution for Classen Pol to pursue while entering Sweden.
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1. Introduction

**In this part of the paper the focal company is shortly introduced to the reader. Moreover, the problem of the thesis and its purpose are given and explained.**

Today's aggressive globalization and internationalization emerging from the existence of the intangible 'global village' encourage the companies to fight for profits on foreign markets. Theodore Levitt (1983) argued in his classical article that although the phenomenon of globalization of markets accepted the existence of fundamental disparities across different local contexts which have to be accommodated, there was a consistency lying underneath human tastes. Levitt (1983) claimed in his work that globalization is strictly connected with acceptance of the foreseeable disappearance of differences. But did he predict the future well? 26 years later we can still notice significant differences between countries (power plugs in England still differ from the ones used on the European continent), and these demand foreign companies to adapt their products to existing standards.

Internationalization may take place in several different ways. Companies may decide to simply ship the products abroad, with no product or promotion adaptations, which is typical for global products. In this situation customers’ demand does not differ between one country and another. On the other hand, some products or services are adaptation intensive, thus significant changes in these have to be made in order to meet the demands of foreign customers.

The industry of interior wood derivative doors is the base of this project. The products are globally manufactured from the same materials, with the size, placement of hinges and doorknobs being the differences. Doors are assembled on door frames, the dimensions and designs of which also differ between countries. Adaptations to these specifications, together with foreign customers’ design preferences, are the precondition for entering a foreign market.

If a company had the possibility to adapt to the customers’ demands in terms of technology and design, and is ready to invest its financial and non-financial resources in internationalization, there is just one step left: foreign market research. Market research is an objective and systemic collection of data regarding a specific target market, competition and/or environment. It incorporates secondary research (collection and analysis of secondary data) and/or primary research, which stands for analysis of primary data collected from a respondent (Market Research World). Increasingly more competitive markets and
more complex network relationships between companies increase the need for market research. Only if the result of such research is positive for the company, internationalization process can start.

The company focal to this project, Classen Pol, has been successfully operating on its domestic market, as well as geographically closely situated foreign markets, and seeks now for more distant potential markets to enter. The questions of reasons for choosing Sweden as a new target, and an optimal entry mode, can only be answered by a detailed market research. The products to be sold on the Swedish market are the interior door from the company's offer.

The paper considers the aspiration of Classen Pol, Southern Poland based wood and wood derivative products manufacturer, to establish operations on the Swedish market. The focal company was chosen for practical reasons, for the fact of easy access to primary information, and the author's interest in both Swedish market structure and wood derivative interior door industry. Sweden as the new operations' destination was appointed by the company's vice-chairman, Mr. Zbigniew Zadworny.

The paper is targeted at any reader interested in the structure and competitive level of interior doors industry in Sweden. The reader will find here the information about market’s potentials, customers’ demands, need for adaptation, existing competitors and distribution network. The paper has been written partially in order to help Classen Pol in deciding about starting their business operations in Sweden, thus the company is also a target beneficiary of the thesis.

### 1.1 Classen Pol

Classen Pol is one of the branches of Classen Group, a Germany-based group of manufacturers of wood and wood derivative products. The Polish subsidiary, located in Southern Poland, Upper Silesia, Rybnik, specializes in developing, manufacturing and delivering interior door, laminate floorings, and furniture facings. The final products are distributed mostly through the major do-it-yourself (DIY) stores (Leroy Merlin, Castorama, Obi), or building materials distributors. Moreover, in small towns, where the major retailers are absent, distribution process in conducted through smaller, locally operating retailers. Classen Pol is already experienced in international operations in 22 countries. The company has its offices in three countries: Poland (headquarters), Germany and Russia. Sales representatives work in 4 countries: Bulgaria, Romania, Hungary and Ukraine. The products are available also other countries, like France, Belgium, Netherlands, Czech Republic, Slovakia, Croatia.
With share capital of 55,000,000 PLN (around 13,000,000 €) and significant experience on the local market, it is one of not many companies in the industry still growing in the lights of the economic crisis. Although the central 8,000 square metres manufacturing base was completed in the late 2005, the company strives for growth. The plans of building a new production plant in the southern Poland, close to the company’s headquarters, and finalized acquisition of a large Polish door frames' manufacturer are the proofs for the company's aim at future development and growth of the company.

The company has, due to foreign markets operations, become aware of the need of country-specific adaptations (e.g. Germans prefer pine-coloured or white interior door with no glass modifications). Each adaptation involves complex modifications of production lines. Starting from variations in technical drawings, machine tools' programming or separate machine tools for different product designs, and finishing with different distribution and marketing strategies, the company controls all the processes and operations.

The company is aware of the importance of protection of the environment. All the timber used in production is obtained from the forests which grow according to Forest Stewardship’s Council (FSC) standards. The production process is conducted according to ISO 14001 standards, which highlight the importance of environmental management systems.

Classen Pol has a wide range of around 100 interior doors in its offer (See Appendix 3 for the complete list). The company does not offer door with specially strengthened construction for security purposes (security door) . With this range the company aims at entering the Swedish market.

1.2 Problem Discussion

In the situation of world’s markets' globalization more and more companies seek for the possibilities of abroad distribution of their products. There are three issues the companies have to comprehend before taking any international actions. First of all, such companies must understand the reasons for and decide upon the optimal foreign country for their operations. Second, they must decide how they want to enter the desired foreign market, in order to successfully indicate their presence across the borders. And last but not least, they must comprehend the characteristics of the foreign customers' demand, and products' standards existing within the foreign market or markets.

The decisions about the three issues mentioned above can only be made basing on a detailed foreign market research. Companies’ which choose a market entry and adapted their products to foreign standards will probably not succeed unless the competition structure and potential of the focal foreign market is analysed and comprehended.
In this paper the geographical, economical and competitive characteristics of Sweden are described to show the potential of the market. The possible distribution channels are analysed for better understanding of the optimal entry mode. The Swedish customers are described in economic, demographic and cultural means for the sake of the products respond to the existing trends and standards.

1.3 Problem Specification

The problem of the paper constitutes of the structure and characteristics of the Swedish market for interior doors.

1.4 Purpose

The purpose of this paper is to come up with the best, most detailed and dependable analysis of the interior doors market in Sweden. The research combines Swedish demographic characteristics, existing competitors and possible distributors or importers of interior door. The market entrance methods, company’s strategy and market potential are described and focused on Classen Pol.

1.5 Method

The research constitutes of several parts. The theoretical framework derives from dependable literature, namely books, articles and journals. Throughout the market research secondary and primary researches have been made. Information about the market was collected either through Internet research or personal meetings with supply managers of outlets of outlets of certain potential buyers. The data about the focal company is mostly of the primary type, gathered through series of interviews with Classen Pol's vice-chairman, and a questionnaire filled in by the marketing manager of the company.

1.6 Delimitations

This project main delimitation is the fact that its author is not a native Swedish language speaker. The Internet researching was thus limited to the level of knowledge of the Swedish language, and availability of help of Swedish speaking colleagues of the author.
The fact that the vice-chairman of Classen Pol is a relative to the author could be seen as a restriction. Nevertheless, all the information has, where possible, been double-checked with the marketing manager, and other sources (the official website of the company, for instance).
2. Methodology

This part of the thesis presents the methods used while producing the paper. The reasons for the choice of this particular topic are given. Moreover, the type of research, and the processes of gathering the primary and secondary information are described.

2.1 Choice of Topic

The choice of the focal company, the industry, the desired new foreign market and the problem of this paper were carefully chosen. First of all, the author had already established personal contacts with representatives of Classen Pol's top management, and marketing manager. The possibility of constant access to primary data was more than inviting. Second, the author was all her live surrounded by the industry of wood and wood derivatives. Brought up close to the saw mill (by that time managed by author's father), by both parents carrying titles of Engineers of Wood Technology (somehow continuing the tradition of their parents), the author was familiar to the industry's basics.

Third, the author lives and studies in Sweden for over 3 years. During this period, she learned about the culture, ethics and standards of doing business in Sweden. Moreover, there was always a possibility of going to the third parties personally and asking for information which is not to be found on websites.

Last but not least, the internationalization, globalization and various levels of differences between countries have always been of the author's interest. The high importance of collection of highest reliability data, and thorough analysis of several factors surrounding levels of national characteristics were clear for the author.

2.2 Research Process

According to Bouma (1994) research is a process which is attempted to achieve and answer to specific question, the explanation of a problem, or a better understanding of a specific issue. These goals can only be achieved systematically and with the support of data.

The research process of this thesis consists of six overlapping stages (See Figure 1 below). It originates from a formulation of a problem, being the unknown structure of the market of
interior doors in Sweden. Purpose was formulated as a way of solving the problem, thus coming up with the best description of the market. This outcome can be beneficial for Classen Pol, a company which has shown interest in obtaining such information.

The second step, methodology, concerns decisions about the way the research is to be done. This stage requires the researcher to decide if there is a need for primary or secondary data, and how these shall be collected. It has been decided that most of the data presented in this paper will be of primary type. The questionnaire and interview questions have been designed in a manner which was to provide the best data. The third step is Theoretical Framework, when the researcher collects the theoretical data supporting their actions, and which potential reader can find useful for understanding the paper. Market research calls for collection of data regarding the players active on the market (and relations between them), thus Five Forces Model of Porter (2008) has been chosen. The data collected about these has shown the need for explanation of commitment and trust issues between business partners. Moreover, the information regarding Classen Pol combined with basic information about Sweden has shown the need for explanation of foreign country entry modes and adaptation of products and promotion.

Empirical Findings is the fourth part of the research process. Here, the obtained data about Classen Pol, Sweden and interior doors market in Sweden is presented in separate paragraphs. Combination of Theoretical Framework and Empirical Findings allow analysis (fifth part), on which conclusions and recommendations (sixth part of the research process)
are based. Ideally, the conclusions answer stage one of the research process, meaning the Problem and Purpose of the paper.

### 2.3 Type of Research

The need for broad range of information about the topics concerned in this thesis called for the use of the realistic research. The method highlights that the knowledge acquired throughout the research gives clearer view on what more should be done in the process. This research looks for associations between variables, and tries to establish chains of cause and effect where possible (Fisher, 2007). The relationship between variables are later studied in search for associations that later unleash into principles, patterns or laws. IN the case of this particular thesis, much of the research is based on qualitative studies, intended to provide a broader and deeper understanding of processes (Fisher, 2007). The result of such research is more descriptive than predictive. Analysis allows the author to understand, explain and interpret the way by which they arrived to the conclusions of the analysis (Fisher, 2007).

As it was already mentioned, the qualitative rather than quantitative method is applied in the research process of this paper. The data is based on interviews, descriptive questionnaires and observations. Nevertheless, some statistical and documentary sources have also been used. Fisher (2007) suggests that interviews be written down or recorded. In this case particular case the author took all possible cautious moves to assure perfect understanding between the respondent of both, the interviews and the questionnaire (see section below, Primary Data). The need of dependable primary data was of the prime interest.

Secondary data included in this thesis comes mostly from academic books, journals, articles and official websites of companies.

### 2.4 Primary Data

The need for primary data in this project is more than vital. Hereby, the data concerns the information about the company, its goals, perspectives about future, and the reasons for choosing Sweden as a new distribution market. The company was in need for detailed market research, especially in customers' preferences (in design's terms) and structure of distribution.
The primary data included in this paper was mostly gathered through telephone and face-to-face interviews with Classen Pol’s vice-chairman, and emailed questionnaires filled in by the head of the marketing department. Both of the ways of gathering primary data are said to “provide invaluable information that is used for policy decisions, marketing strategies, and budgeting plans” (Metzler and Davis, 2002, p. 2). Moreover, the author has visited Beijer, warehouse of building materials, and Bauhaus, both located in Västerås. The person representing the first company, Brittmarie Gustafsson, is a supply manager of the warehouse, and answered questions regarding the interior door suppliers and structure of supply of the outlet.

2.4.1.1 Face-to-Face Interview

Between 15 April and 20 May, the author of this paper has contacted and visited on more than one occasion outlets of Beijer (Friledningsgatan 8) and Bauhaus (Hallsta Gårdsgatan 1) in Västerås. The aim of the visits was to collect the data about present interior doors suppliers and ask a company’s representative questions regarding the structure of supply of these products.

The representative of Beijer, the outlet’s supply manager, Brittmarie Gustafsson, was kind enough to explain the supply structure. The representative of Bauhaus decided to stay anonymous and could not very well describe the way products are obtained at the higher organization’s level.

2.4.1.2 Questionnaire

Following Fowler’s claim (1991), that well-designed questionnaire is the first step in preventing errors, and that a god questionnaire reduces both respondent and interviewer errors, the questioning process has been well structured. The author had the privilege to come back with any additional questions at any time. Nevertheless, the need for obtaining as much information as was possible was of primary interest to the interviewer (the author).

The primary data included in this paper considers both, the Swedish market and the focal company. The primary data about the market comes from conversations with representatives of Beijer and Bauhaus.

The decision has been made that this type of gathering information be used for the marketing department of Classen Pol. The questionnaire has been sent to the head of
marketing department by e-mail. The proper e-mail address was previously obtained from
the vice-chairman of the company.

The way the questions have been structured and asked is a consequence of the telephone
interview with the vice-chairman. Only the typical marketing related questions were asked.
The questionnaire consisted of 10 questions and one blank space for ‘comments’. Two of the
questions were close-ended questions, which “limit the respondent to the set of alternatives
being offered” (Foddy, 1993, p. 127), and 8 were of the open-ended type, which “allow the
respondent to express an opinion without being influenced by the researcher” (Foddy, 1993,
p. 127). The answers to all the questions have been answered and sent back to the author
within 4 days from sending them.

Nevertheless, the answers have been repeated in April 2009 during a telephone
conversation between the respondent and the author. The need for update of some of the
information was motivated and justified by the changing economic situation in the world.

2.4.1.3 In-Depth Interview

An in-depth interview is “an open-ended, discovery oriented method that is well suited for
describing both program processes and outcomes from the perspective of the target
audience or key stakeholder” (Guion, 2006, p. 1). This type of an interview aims at exploring
respondent’s point of view, feelings, perspectives, and congregate the maximum of his or
her information.

Such an interview has been conducted with the vice-chairman of Classen Pol. Guion (2006)
lists, and the author hereby explains the usage of the key characteristics of the in-depth
interview:

- Open-ended questions: none of the questions asked were possible to be answered by
  simple ‘yes’ or ‘no’;
- Semi-structured format: although there was a pre-planned list of the most important
  questions to be asked, the interviewer was allowed to ask additional questions,
  which emerged during the conversation;
- Seek understanding and interpretation: interpretation was done throughout the
  process of translating the transcript of the interview from Polish to English language;
- Conversational: the interview looked like a regular conversation rather than highly
  controlled exchange of questions and answers;
- Recording responses: the whole interview has been transcribed by the interviewer
during the interview;
- Record reflections: the immediate recording of reflections about the interview made by interviewer has been found not useful. The immediate translation from Polish to English replaced this stage of in-depth interview carried out.

The above statements concern not only the main interview attached in the appendix of this paper, but also several face-to-face conversations the author had with the vice-chairman. Most of them took place in January and end of April, 2009.

2.5 Secondary Data

The secondary data included in the thesis concerns mostly two things: the theoretical framework and the information about Sweden, existing Swedish competitors, and the present distribution structure.

The theoretical framework is build of information found in academic books, journals and articles. The later were found through research of Database accessible through Mälardalens University’s website.

In a situation when the data searched was not to be found in books, articles of journals, but could be obtained by simple “Google research”, this data was only used when it was reliable, had the author, title and publisher mentioned. All the data about the Swedish market and competitors existing within the industry was also gathered through Internet research. The first data was collected from the website offering official statistical data about the country. Accumulation of the industry information started with coming across the website of Byggportalen (www.byggportalen.se/bygg/doerrar-25784.asp) where the author found information about the door manufacturer in Sweden. Later analysis of these was conducted through the information about their offers included on their official websites.

2.6 Reliability and Validity

In the research various types of sources have been used. Articles were mainly chosen from well known publishing sites, and the author tried to check if the authors were professionals in their field. The data taken directly from official international organizations (like the one where the official statistical data about Sweden has been found) is reliable by definition.

The justification of the choice of the target group of respondents to the interviews and questionnaires lies in author's opinion, that the managers of such important departments should have the best information about the company to provide the data for producing a reliable research.
2.7 Criticism

Although qualitative method does not need a very large target group of respondents the work can be criticized because of the small number of interviewees. Moreover, the people questioned are very much involved in the operations of the company thus their answers may be influenced by their subjective opinions. They know the buyer behaviour, the culture, and the environment of Poland and other foreign countries where Classen Pol operates, which can be so much different to the situation of Sweden. Further on, the data collected from the interviews and the questionnaire may include personal opinions and observations not typical for the whole of the population.
3. Theoretical Framework

This part of the thesis concerns the existing theoretical framework describing possible foreign country entry modes, adaptation, importance of competitive structure, and the vital things regarding cooperation in supplier-buyer relationship. Explanation of the theoretical perspectives on these issues is essential for understanding the connection between any market’s structure and the way of approaching business on these markets.

3.1 Market Research and Porter’s Five Forces Model

Susan Ward (2008) from Small Business: Canada says that “market research is the collection and analysis of information about customers, competitors and the effectiveness of marketing programs; (...) it allows businesses to make decisions that make them more responsive to customers’ needs and increase profits”. She also claims that market research is an essential tool for both, business start-ups and established businesses. Established businesses can use market research while introducing new products/services to the market, measuring customers’ perception of the products/services, or when deciding on starting cross border operations.

According to Raphael and Parket (1991), the fact that both market research and analysis support strategic decisions makes the need for such research increase dramatically. Generally speaking, study of the results of interviews, telephone surveys, and focus groups aims at delivering understanding the marketplace and analysing customers’ perceptions of the company’s products or services (Raphael and Parket, 1991). “All managers can benefit from data on customer satisfaction, perceived value of your products vis-à-vis those of your competitors, and market share analysis and projections, as well as product, price, promotion, and channel parameters” (Raphael and Parket, 1991, p. 16).

Michel Porter (2008) has developed a very useful tool for the analysis of a competitive forces present in a market, the Five Forces Model (Figure 2).
According to the author there are five forces existing on every market: the bargaining power of suppliers and buyers, threats of substitute products and new entrants and the rivalry among existing competitors. The author claims that the stronger the forces, the more competitive and demanding the market (Porter, 2008).

According to Porter (2008) threats of new entrants are related to the high level of business or country entry barriers like supplier-side economies of scale, demand-side benefits of scale, switching costs, capital requirements, and incumbency advantages independent of size, unequal access to distribution channels or restrictive government policy. All those barriers, if existing, have to be investigated before the entry and managed while operating.

The bargaining power of suppliers is crucial while the price of the product is always reflecting the negotiation, the efficiency of the relationship the company has with its strategic suppliers. In basic terms, the better the negotiation, the lower the final price should be. But that is not always the case. Sometimes the strategic resources are rare enough that the company is satisfied with the fact of enjoying access to them. The negotiations are usually more difficult, and the suppliers have a more significant bargaining power, when they hold resources strategic to the buyer’s business. The need of establishing long term, trust- and commitment-based relationships with such suppliers is more than important.

The bargaining power of buyers is another force to be concerned about. Buyers can have demands regarding the design, quality, quantity and, of course, the price of the delivered goods or services. Large strategic buyers can become a threat to the company's well being when the demand about these issues becomes tough enough to make the business
inefficient in financial terms. This becomes dangerous, as it has a negative impact on the company's benefits.

Schurr and Ozanne (1985) find cooperative problem solving and constructive dialogue crucial in both, buyer and seller bargaining situations. They claim that rust can be the central outcome of well managed cooperation between partners.

The more substitutes exist on a market, the more significant the threat of substitutes is. If clients can easily switch from one product to another, being delivered with the same or similar level of satisfaction, it is very difficult to convince them about the superiority of the company's products.

### 3.2 Adaptation

Having the competitive structure analysed and comprehended, the company should have a deep insight into the offer of the potential strategic competitors. In search for differences between the products offered the company can not forget about the possibility of cultural, traditional or legal standards which could be so much different from its domestic ones. What is needed to meet the demands for particular standards is adaptation.

Adaptation is the changes that a company has to implement in its products or services to fit in a country or culture (Ghauri and Cateora, 2005). The process of adaptation is usually implemented to avoid target market mismatch, and gain more profits. The situation of mismatch can exist when the manufacturing company has a high self-reference criterion (SRC), considering its own norms and values as the only valid ones (Ghauri and Cateora, 2005).

The fact of realizing about diversities between norms and values existing in different countries is the call for adaptation. Sandhusen (2000) presents the possible strategies in adapting the products and prices.

The first choice to make is whether to make any adaptation at all. There are two situations for Product/Promotion Extension in international business. The first one is when the characters of demand about the product's or service's features are the same between the company's local and foreign market, or when the product is global (Sandhusen, 2000). The second situation is the blindness of the company having high SRC, refusing to see the existing differences, or trying to impose its standards, norms and values as the only good ones.
Ghauri and Cateora (2005) define that the product is the same for the different markets in the standardised product strategy. The standardised strategy brings advantages like economies of production, but these advantages become disadvantages if the product is not demanded for the new market’s customers, because the properties fail to satisfy the customers' demands. The tools to know how to adapt the products can be found in the psychological and physical dimensions of the country. The psychological dimensions can be identified with the country’s culture (Ghauri and Cateora, 2005). The analysis of characteristics of products can be used to determine how adaptation-sensitive the market is.

Nevertheless, the markets are usually different, and a company deciding to adapt to the market has to choose a strategy for such adaptation. It can adapt the products, adapt the promotion, or adapt both simultaneously.

*Product adaptation* is the strategy to choose when there is a need to adapt certain products’ features to meet the demand (Sandhusen, 2000). These can be country specific standards in technical specifications, for instance. These can also be special requirements about environmental issues regarding the manufacturing process or resources used. In the situation of product adaptation the company changes the product but keeps the same promotion strategy as in the domestic market.

*Promotion adaptation* is needed when all products' features fulfill the clients' needs, but they need special marketing attempts to be invited to buy them.
Dual adaptation, backward invention, forward invention is when both the product and the promotion need to be adapted to the new market. Backward invention is the cases of the companies focusing on a market less developed than the domestic one. Forward invention on the other hand is when the company is facing a more developed market.

3.3 Entry Modes

Once the structure of the foreign market is known, and the decision about level of adaptation is made, the company should move to the strategic decision about its first steps in the foreign country.

The way companies start their business in foreign countries, their first step overseas, plays a crucial role in their future performance in the country. The decision regarding foreign country entry mode is connected with calculations of investments of resources. Not only must the financial resources to be taken into consideration. Internationalization is connected to devoting certain amount of production and human resources to the overseas operations.

There is a lot of literature on foreign country entry modes, but this study is not meant to be a literature review. Therefore, only the most common, or most suitable for this particular case entry modes are presented and described below.

Companies may wish to enter a foreign country in several different ways. From a long list of possible choices presented by Ghauri and Cateora (2006) four have been chosen:

- Exporting
- Licensing
- Joint-venture
- Foreign direct investment (FDI)

Exporting is one of the most commonly chosen foreign country entry mode. This approach is most suitable for companies which have a limited sales potential in the target country, and when little product adaptation is required. These organizations usually have their distribution channels located close to production plants. They can also have the access to strategic resources in the domestic environment. They seek the ways to avoid high target country production costs, and are eager to exercise target country's liberal import policies.

The most important advantages of this mode is that it gives the possibility to minimize financial risks connected to most types of overseas operations (Ghauri and Cateora, 2006), speeds the entry, maximizes scale, while the company can use the home base located production facilities.
The disadvantages can be divided into two groups. First, there are the ones related to logistics. Trade barriers and tariffs existing between the host and the target country can significantly add to cost. So can the transport costs. Second, there is the marketing related problem. The company has a limited access to information about the potential local clients. Moreover, the company may be viewed by the society as an outsider.

*Licensing* is preferred for, but not limited to, small and medium-sized organizations. Licences are granted for production processes, use of trade name or distribution of the imported products. This option is usually chosen when “import restrictions forbid other means of entry, when a country is sensitive to foreign ownership, or when it is necessary to protect patents and trademarks against cancellation for non-use” (Ghauri and Cateora, 2006, pp. 278-279). The licensee is sometimes a company which does not have the ability to become a competitor, and seeks for ways of obtaining such ability.

The advantages are the minimized risk and investment, and high return on investment (ROI). The potential of licensing in circumventing entry barriers speeds the entry.

The disadvantages are connected to trust and control. The licensing company may loose control over the assets. Moreover, after the limited license period is over, and the licensee gets the necessary knowledge and market share, it may strive to become the licensing company’s competitor.

*Joint-ventures* are the legally established agreements between the manufacturing company and the foreign country local partners concerning distribution. The most suitable situation is when import and investment barriers, legal protection, and government restriction on foreign ownership exist in the target market. The sales potential in the target market can be low. The local company can provide skills, resources, distribution network and brand name (Ghauri and Cateora, 2006).

Joint-ventures have a lot of advantages. They help in overcoming ownership restrictions and cultural distance, and the company is viewed as an insider. The possibility of combining the resources of both partners is vital. Moreover, the producing company can learn about the foreign country through action. Nevertheless, jointed-ventures are difficult to manage, and are characterized with higher risk than licensing or exporting. The trust issue comes to the attention when the knowledge is not shared equally, and the foreign partner can become a competitor.

*Foreign direct investment* (FDI) is the situation when a company decides to start operations (also manufacturing) within the boarders of the focal abroad market. It is used when there are import barriers, high import taxes or significant transportation costs between countries with small cultural distance (Ghauri and Cateora, 2006). Ghauri and Cateora (2006) give three main reasons for manufacturing investments: market seeking, resource seeking, and
efficiency seeking, meaning that the foreign country can have the advantages of low-cost labour force, great strategic resources, and outstanding sales potential.

FDI is only possible when the company has a great knowledge of the focal market. It allows applying specialized skills, and minimizing knowledge spillovers by eliminating local partners. Moreover, the manufacturer can be viewed as an insider to the broad clientèle.

FDI requires significant resources and commitment. It is also highly risky. The company may find itself in a situation when the local resources, competitive structure and distribution become difficult to manage.

### 3.4 Trust and Commitment in Supplier-Dealer Relationships

The decision about the foreign market entry mode is connected with the way, or the manner, the relationships with business partners are to be held. There is a need for foreseeing the future, and working for its sake from the very first moment. Especially when interested in long-term goals, companies devote noteworthy efforts in building trust and commitment between them and their strategic business partners.

“Increased competitiveness (...) has made many companies aware of creating long term collaborative relationships with their customers and suppliers” (Zineldin and Jonsson, 2000, p. 245). There are several benefits of such relationships. To name a few, long-term suppliers tend to be more focused on final customer needs, mutual planning and information exchange lead to prompt adjustment to future plans, technology development is possible when technological knowledge is shared, the collaborating parties are more eager to get involved in the other part's product design process, stable relationships can lead to stable delivery prices (Zineldin and Jonsson, 2000). By all means, trust and commitment are results of successful relationship, in marketing activities, behaviour, action and counteraction procedures.

Zineldin (1998) views the fully implemented collaborative approach as partnering or partnership arrangement based on win-win relationships. Partners adapt products and processes to match each other, share information and experiences, focusing on minimizing the sources of insecurity and uncertainty (Zineldin et al, 1997). The quality of a relationship is a function of a number of factors or elements, among others, cooperation, skills and performance of employees including managers, physical resources, quality, delivering and pricing of products/services, sharing information, experience, customer expectations and satisfaction (Zineldin, 1999).
In the past, distribution relationships have been managed through ownership and vertical integration or through making use of power, but over the last twenty years there is a tendency to develop networks or chains of collaborative supplier-distributor relationships (Zineldin and Jonsson, 2000). Instead of tension creating power, the partners build their relationships on common values, cooperation, adaptation, shared information and knowledge, technical and economic exchange, which lead to trust and commitment.

In a collaborative exchange trust exists when one party has confidence in the partner’s reliability and integrity. In emerging collaboration, “if a dealer assumes that the supplier's reputation in satisfying the requirements of the other dealers is well deserved, trust will be granted on the basis of the supplier’s history in relationship with other firms” (Zineldin and Jonsson, 2000, p. 248).

Only when collaborative activities and actions are present, they produce commitment between partners, and only then they produce outcomes which promote efficiency, effectiveness and productivity. Relationship commitment exists when “an exchange partner believes that an ongoing collaborative relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely (Zineldin and Jonsson, 2000, p. 249).

Moss (1994) claim that the most profitable relationships can often be characterized by positive conflicts. Parties have to have an open dialogue about not only the decisions strategic to the partnership, and the conflicts, in long-term, can this way lead to shared values and policies. The factors which influence the relationship commitment and trust are adaptation, relationship bonds, relation termination costs (switching costs), shared values communication, opportunistic behaviour, satisfaction and cooperation (Zineldin and Jonsson, 2000).
4. Empirical Findings

This part of the thesis presents the findings about Classen Pol, Sweden as a country, and the market research of interior door industry in Sweden.

4.1 Market Research

The market research consists of findings about Sweden as a country and the gathered information regarding Swedish interior doors industry’s competitive structure, the existing competitors and distributors or buyers.

4.1.1 Findings about Sweden

Findings about Sweden include basic information about the country, the population, economy and statistical data about customers’ behaviour, as well as information about Swedish aesthetics and clients’ preferences in design.

4.1.2 Basic Information

Sweden is located in Northern Europe, between Norway and Finland, and is a Nordic country. With its area of 450,000 km² it is the third largest country in Europe (www.sweden.se). The form of government is a constitutional monarchy, parliamentary democracy. The official currency of the country, although Sweden is a member of European Union since 1 January 1995 (Poland since 1 May 2004), is still krona (SEK). Analysis of the country from the economic point of view provides us with information about the Gross Domestic Product index. International Monetary Fund supplies following data about Sweden:

-  GDP (nominal): 454.839 billions U.S. $(Poland– 422.090)
-  GDP per capita (nominal): 49,602.514 units U.S. $(Poland – 11,072.498)
The data presented above about nominal GDP puts Sweden on the 18th position in the world (Poland is 22nd), and the one about GDP per capita on the 8th in the world (Poland is 50th) (www.imf.org). The Swedish clichés well-known all around the world are: blond women, its typical colourful houses, painted in red, made of wood and its cold climate in winter. Sweden has a constitutional monarchy and a parliamentary democracy. Its capital is Stockholm, the population of Sweden is 9.3 millions habitants high, and the life expectancy is 79 years old for the men, and 83 years old for the women.

4.1.3 Economy and Society

One of the manifestations of economic forces in the country is the household budget of its society. According to Swedish Institute (www.si.se) housing expenditures, leisure and culture, transport and food are the largest expenditure items for Swedish households. But in this group the item increasing most rapidly is the transport, if we compare the period 2003-2005 with the period 2005 - 2007 the difference is 10 per cent (whereas housing expenditures increased by 7 per cent).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>SEK 84,120</td>
<td>SEK 89,980</td>
<td>+7%</td>
</tr>
<tr>
<td>Leisure time and culture</td>
<td>SEK 67,890</td>
<td>SEK 69,790</td>
<td>+3%</td>
</tr>
<tr>
<td>Transport</td>
<td>SEK 63,460</td>
<td>SEK 69,920</td>
<td>+10%</td>
</tr>
<tr>
<td>Food</td>
<td>SEK 45,530</td>
<td>SEK 46,580</td>
<td>+2%</td>
</tr>
</tbody>
</table>

Table 1: Average Expenditure per Household and Expenditure Group; source: Statistics Sweden

The living conditions of Swedes are another way of describing the economic forces in Sweden.

The table presented below (Table 2) concerns the living conditions of Swedes.

The situation shows that most of the population lives in one- or two-dwelling owned buildings. This situation regards cities like Stockholm and Gothenburg, smaller cities and countryside as well. The second most popular housing in Sweden is a first hand rental apartment in block of flats or apartment buildings. Bigger households are these which make the statistics. On the other hand, 70 per cent of smaller households (often consisting of only one person) mainly live in multi-dwelling buildings. The situation from the economic point of view is as follows. Between 2005 and 2006 the costs of households with ownership rights has increased by 6 per cent. The annual housing costs for 2006 in an owned one- or two-dwelling building was 75,200 SEK (6,814.82 €), a rental apartment 57,000 SEK (5,169.94 €), and an owner-occupied apartment 61,000 SEK (5,533.70 €).
Table 2: Population of Sweden; by region, sex and housing type in 2006. Percent; source (translated by author): http://www.scb.se/templates/Publikation__226548.asp

<table>
<thead>
<tr>
<th>Region</th>
<th>One or Two-Dwelling Buildings</th>
<th>Block of Flats</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner-Occupied</td>
<td>Rental</td>
</tr>
<tr>
<td></td>
<td>Dup</td>
<td>Apartment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1st Hand</td>
</tr>
<tr>
<td>Stockholm</td>
<td>34.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Women and men</td>
<td>31.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Women</td>
<td>29.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Men</td>
<td>33.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Children</td>
<td>45.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Göteborg</td>
<td>42.7</td>
<td>4.0</td>
</tr>
<tr>
<td>Women and men</td>
<td>39.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Women</td>
<td>37.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Men</td>
<td>41.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Children</td>
<td>53.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Other Municipality &gt; 75,000</td>
<td>41.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Women and men</td>
<td>37.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Women</td>
<td>35.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Men</td>
<td>39.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Children</td>
<td>55.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Other Municipality &lt; 75,000</td>
<td>61.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Women and men</td>
<td>58.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Women</td>
<td>55.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Men</td>
<td>61.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Children</td>
<td>69.9</td>
<td>2.3</td>
</tr>
<tr>
<td>County</td>
<td>49.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Women and men</td>
<td>45.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Women</td>
<td>43.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Men</td>
<td>48.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Children</td>
<td>59.7</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Number in thousands: 4 305 250 459 1 097 2 422 95 51 101 8 760

Swedish aesthetics is well known around the world for IKEA mostly, but not only. The leading home textile chain in Nordic region, Hemtex (www.hemtex.com), is lately growing internationally as well. Present in Sweden, Norway, Denmark, Finland, Estonia and Poland, the company delivers products divided into four areas: Bedroom, Bathroom, Window and Eat & Socialize. All the products are designed according to Swedish aesthetics. But what the Swedish aesthetics is, in reality? According to The Official Gateway to Sweden (www.sweden.se) “modern Swedish design has long been characterized by the ideology of functionalism, with priorities of simplicity and appropriate function”. Neo-modernism,
predominant since late nineties and still a prime in industrial design, stands for traditional values, being simplicity, functionality and blond wood.

### 4.1.4 Sweden and the Economic Crisis

Like in the other European countries the financial crisis has arrived to Sweden. As far as the minister for finance Anders Borg said (Swedish Institute) “Sweden will manage this recession better than most other countries, primarily thanks to our large budget surplus” ([http://www.sweden.se/eng/Home/Business/Economy/Reading/Soft-landing-for-Sweden-in-financial-crisis/](http://www.sweden.se/eng/Home/Business/Economy/Reading/Soft-landing-for-Sweden-in-financial-crisis/)).

Another person who talked about the crisis in Sweden was Hans Tson Söderström, professor of political economics at Stockholm School of Economics. He said: “Our public finances and our financial system are sound, and the existence of the floating national currency, the krona, helps too” (Swedish Institute).

In addition to the budget surplus, Sweden hasn’t got sub-prime mortgages. Therefore, the situation in comparison with the United States, the country where the financial crisis started, is completely different and better. In European Union exist supreme mortgages and the US government has budget deficits and national debt which is growing.
4.2 Interior Doors Market in Sweden

*Here the competitive environment of interior doors’ industry of Sweden will be presented, with the emphasis on existing competitors and potential buyers.*

4.2.1 Competitors

The existing competitors have been found on Byggportalen (www.byggportalen.se/bygg/doerrar-25784.asp). Out of the 20 presented companies operating within the same industry, only 3 can be seen as competition to Classen Pol. The selection of companies presented in the Table 3 below is justified for three main reasons:

- Only these companies manufacture interior doors;
- Only they produce their doors from wood or wood derivative materials;
- These are the only companies manufacture interior door on a large scale.

The companies included in Table 3 are the door manufacturers that can in the future become Classen Pol’s on the Swedish Market. These are: Ekstrands, Dooria, Kilsgaard (which will be presented as Swedoor throughout the paper, as the companies are one), and Swedoor. Their closer analysis and level of competitiveness will be described in the Analysis part of the paper. Nevertheless, it is important to note that the competitors use similar technology in the manufacturing processes, especially when machine tools are concerned.
4.2.2 Buyers

The potential direct buyers of Classen Pol’s door can be subdivided into three groups: the retailers, the wholesalers and resellers, and the importers. The indirect buyers are the end-users, being the members of the Swedish society.

4.2.2.1 Retailers

Swedish market is very rich in various retailers of do-it-yourself items. Their range starts from local, one-outlet stores, to those giants, which own more than 40 stores throughout the country. Moreover, there are companies who joined their forces in associations. The table presented below (Table 4) shows the most important retail outlets, which can be used by Classen Pol in its distribution channel.
The outlets of the retailers presented in the table above are located in different parts of the country. Most of them have retail outlets in the major cities, towns and developing areas.

An example of a retailer is the Germany based DIY chain, Bauhaus. With 15 outlets located in Sweden, and several more in 12 other countries in Europe, Bauhaus is a well known DIY store. Proud of the wide range of products and competitive prices, the company’s recent strategy in Sweden is as follows. Bauhaus guarantees low prices. Should anyone, contrary to the company’s expectations and within 30 days from purchase of a product, find the same products (same brand and model) at a lower price elsewhere, Bauhaus will either lower the good’s price or refund the difference.

### Table 4: List of Existing Retailers\(^1\) (also DIY stores)

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of outlets</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Byggtjärn</td>
<td>&gt;100</td>
<td>Consortium of small local DIY retailers</td>
</tr>
<tr>
<td>Beijer</td>
<td>&gt;70</td>
<td>Owned by a larger, UK-based Wolseley</td>
</tr>
<tr>
<td>COOP Bygg</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>“ABC”</td>
<td>43</td>
<td>Plus 10 outlets in Norway and 1 in Finland</td>
</tr>
<tr>
<td>Optimera</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>K-rauta</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Bauhaus</td>
<td>15</td>
<td>International, Germany-based, chain of DIY stores</td>
</tr>
<tr>
<td>Silgan</td>
<td>11</td>
<td>Plus 38 in Denmark</td>
</tr>
<tr>
<td>Skånska Byggyvaror</td>
<td></td>
<td>Online store</td>
</tr>
<tr>
<td>Bygg Hemma</td>
<td></td>
<td>Online store</td>
</tr>
</tbody>
</table>

\(^1\) Name of one of the retailers has been changed to ‘ABC’ on request.
4.2.2.2 Wholesalers and Resellers

Wholesalers and resellers (Swedish återförsäljare can be translated as reseller in English) of building and house finishing materials have been found. These are the places, where the manufacturers deliver their products, which are later distributed between proper retailers, or which from there are purchasable to the end-user. The most important among the organizations that we have come across are: Beijer Byggmaterial (www.beijerbygg.se), Woody Bygghandel (www.byggcenterab.se), AB Karl Hedin (www.hedins.se), and Optimera (www.optimera.se).

Beijer Byggmaterial is located in more than 70 places in Sweden from north to south, and some of these locations serve as warehouses. Beijer, serving construction companies and private individuals and having about 1,500 employees, is a part of the group Wolseley (www.wolseley.com), the leading supplier of building materials and construction services in Europe and North America. The history of Beijer started in 1866 and was characterized by rapid growth. In 1985 AB Electrolux took over all the shares of Beijer Byggmaterial AB, and in 1993 and 1994 the company started deliveries to major do-it-yourself segment fo the market. The circulation nowadays is that the circulation will in 1/3 come from major contractors, 1/3 from the smaller construction companies (builders and craftsmen) and in 1/3 from end customers.

Brittmarie Gustafsson, a supply manager of the wholesaling and retailing outlet of Beijer Byggmaterial in Västerås, informed that all requests are directed to the company's headquarters. There they are managed, including the importing processes. She also admitted that the only producer of interior door in their offer id Swedoor. The price in the outlet of Swedoor's door model 201/GW (available for viewing in the on-line catalogue, page 40) was SEK 1,785.

Woody Bygghandel is to be found in 9 places in Sweden: Sösdala, Kristianstad, Hässleholm, Örkelljunga, Perstorp, Markaryd, Sölvesborg, Ronneby, Skurup. The company belongs to a larger importing group – Interpares (which is to be described under the headline of importers). Woody, working under ISO 14001 Environmental Management Systems, is cooperating only with companies having the same point of view about protecting the environment.

AB Karl Hedin itself specializes in sawmills services and timber processing. Some of their operations, especially its Industrial Trade division, focus on giving the customers the possibility of “collecting their purchases under one roof”. They have the assortments,
logistics abilities, special stocks and salesmen providing unique solutions that would satisfy the most demanding customers.

Nevertheless, the company is mostly interested in serving small to medium construction companies and individual clients.

**Optimera** is a nationwide wholesaler and distributor of building materials, engaged also in exporting of timber products, present at around 30 locations. They claim that their mission is “We help people manage to build and live” and their vision is to become a leading supplier of construction products and services in the Nordic origin.

### 4.2.2.3 Importers

**Interpares** is Sweden’s oldest purchasing (also importing) organization in the building materials trade. Established in 1944, it has until today established relationships with more than 120 sales outlets throughout the country. This fact together with the turnover of approximately 6.5 billion SEK (0.65 billion €) makes Interpares the largest building materials chain in Sweden). Interpares in Swedish stands for “between equals”, which is the company’s concept. Their offer covers:

- Timber for building;
- Bathroom and kitchen equipment and floors;
- Electrical and heating water and sanitation devices;
- Tiles and clinker;
- Home and garden items;
- Tools;
- Hardware;
- Windows and doors;
- Paints and glue.

The company belongs to an international group of 21 similar companies, which operate in Europe, EURO-MAT. The company’s aim is to offer a wide range of products good quality products worth their price. All their suppliers have good reputation, which enables mutual trust between the partners. They claim to be setting “stringent demands” (www.interpares.se) on their suppliers, but in return pledge total commitment.

The company stresses the fact of close cooperation between suppliers and customers. “Nearness requires good connections, functioning relations based on trust. It demands honesty, ethics and openness, an aspiration to understand each other’s strong and weak sides, and willingness to share information and important intelligence”. Joint objectives
(price, quality, trust, honesty) and personal relationships are the key for generating the profits jointly. If potential suppliers do not have the same concepts about doing business, the relationships will not be established. Unfortunately, on the website of the company (www.interpares.se) it was impossible to access the list of Interpares’ suppliers of interior door, although the authors have been trying to access this site several times.

**BMD, ByggMaterialDistributörerna**, is a partnership organization composed of independent, private companies, which either themselves import construction materials, or represent the Swedish DIY stores ([www.bmg.nu](http://www.bmg.nu)). The wide ranged or specialized members work throughout the country with their own distribution organizations. They are well experiences, and have the access to necessary transportation tools. The staff handles the flow of information throughout the BMD and to customer groups. The company calls itself the “credit” for delivering the best organized distribution channel for building materials.

The company's task is “to provide the high quality building materials at competitive prices to the industry's best customers by rational processing”. Working as wholesalers, logistic company, distributor, Brokerage Company, and importer, the function is one, to allow the sellers and the buyers to feel secure, deliver trust and good profits through the agency's help.

Examples of construction materials that the agency deals with:

- Materials such as sawdust, plaster board, plywood;
- Joinery as windows, doors, kitchen and wooden floors;
- Cement, mineral wool, cardboard;
- Wood products;
- Other flooring equipment including fastening products.

The association was formed in 1992 and has now 16 member state enterprises: Andrén AB, CEOS Industripro dukter AB, Cubic – Beijer Byg gmaterial AB, Fredrics ons Trä AB, Freskis i Östersund AB, Hansson Bygg-Gro ss AB, Isaksson Gruppen AB, Jehrsten AB, Ljungberg & Co AB, Palma Bygggrossisten AB, Set ra Byggprodukt er AB, Skarab orgs Golv AB, Star Center i Norrtelje AB, T-Emallage AB, Thuresson Bygg material AB, WBP Trading AB, and Wiwood AB.
4.3 Findings about Classen Pol

Findings about Classen Pol include the entry modes which the company has previously chosen while entering other foreign country. The issue of Classen Pol’s attitude towards adaptation, commitment and trust are also explained.

This part of the findings comes mostly from the interviews and questionnaire with the company’s representatives, and is supported with some information found on official web pages of the company.

4.3.1 Entry Modes

The way Classen Pol has been starting and establishing operations in foreign countries in the past has been described by the company’s marketing department manager, Violetta Cichoń, in and e-mailed questionnaire, and by vice-chairman, Zbigniew Zadworny, in series of interviews. Both, the questionnaire and interviews are to be found in Appendices of this thesis.

Violetta Cichoń asked about the way the company starts operations in foreign country replied:

*It happened mostly on international trade fairs and agents. We also find information available at Embassy of Poland in various countries useful. Sometimes we conduct market researches through consulting groups, which specialize in export development and which have the access to dependable information.*

*The trades we have previously visited (in Sweden) allowed us to establish some contacts with Swedish representatives (ABC via Mr. K., or the investment market representatives – X and Y2).*

Vice-chairman asked about the way Classen Pol operates overseas stated that most of them are carried out and managed by sakes representatives, who are:

*(...) either accustomed with the industry, or have both: industry experience and valuable contacts in the foreign market. These people usually speak local languages, and work as the connection between the manufacturing company and the distributors who deliver the*

\(^2\) Names removed on the respondent’s request.
product to the end-customers. The representative is mostly very well familiarized with the legal regulations about the import, invoicing systems, and all the country-specific rules, which have to be fulfilled for the business deal to be finalized. So far, we do not have such a person for the Swedish market.

### 4.3.2 Five Forces – Classen Pol's Buyers, Suppliers, Competitors and Substitute Products

Marketing department manager described the company's buyers in a following way:

> The export of our products is conducted via three main distribution channels: wholesalers or resellers (70% of export sales), DIY stores (20% of export sales) and authorized retailers with wholesaling activities (10%). The percentages differ between countries and clients’ distribution expectations. Most of the channels are managed by experienced partners. Nevertheless, we also have previously established contacts with partners new to the industry who were willing to invest in the business. With strategic buyers we have established the long-term relationships.

The company has since its beginning operated in close relationships with major Polish saw mills delivering necessary timber and plywood, medium density fiberboard (MDF) and oriented strand board (OSB) suppliers, manufacturers of doorknobs and hinges, PVC foil for finishing and packing. The company gets hold of the machinery by itself, as the market is small and the machines are highly specialized. Zbigniew Zadworny noticed:

> 3,5 years ago we have bought a machine tool for door production from the Swedish door manufacturer – Swedoor.

The vice-chairman, when asked about the suppliers of doorknobs and hinges described:

> The most cost effective way is to order them from China. We have previously established strategic contacts with Chinese companies which specialize in manufacturing doorknobs and hinges of any type or design. What they really expect from our side is the technical drawing or a sample of such doorknob or hinge (manufactured by a local producer according to our specifications; sent via DHL arrives in China in 48 hours).

There are many competitors within the interior door industry in Poland. According to Zbigniew Zadworny, the company is doing very well on the competitive market.

> The latest market research has shown, that Classen Pol moved from the fifth to the second position on the market, and it is still growing stronger.
To see the existing Swedish competitors, see section “Market Research of Interior Door Industry in Sweden”.

The substitute products to interior door offered by the company are metal, plastic or PVC (Poly-Vinyl Chloride), and security door.

### 4.3.3 Adaptation

Products of some of the competitors have been shown to the vice-chairman of Classen Pol. And this is his reaction to one of the door produced by Ekstrands:

*I am actually very surprised. The door called here “Typ 2” is what we have in our own offer, but called “Malaga” and the “Typ 4” is our “Tetyda”. That is positive information as far as the aesthetic tastes of the Scandinavian clients are concerned.*

Nevertheless, other items from the offer, especially the most classic designs, appear within most of the companies. The vice-chairman told us about the cost of manufacturing of one of the most basic type of door in Classen Pol’s offer, “Natura with sash”

*The softwood or MDF frame, covered with wood derivative board and filled with stabilizing “honeycomb”, plus the doorknob and hinges is what makes the whole. The estimated cost of one unit is 14€. After application of all the German standards – proper doorknob and the hinges – the cost rises to 20 € per unit. In case of Sweden the only additional cost will be the shipping.*

The company is, just like in the past, the eager and ready to make all necessary adaptations:

*Nowadays we have all the machine tools that are necessary to produce the door and door frames for all the markets we operate on. From the past experiences we have learned that what is actually needed is just to re-programme the machines which now belong to our production line according to the country-specific demands. Moreover, 3,5 years ago we have bought a machine tool for door production from the Swedish door manufacturer – Swedoor. We hope to use this one in the future manufacturing process.*

Nevertheless, producing door and door frames is not all. All countries have different demands as far as hinges are concerned. And styles or types are just one side of the story. Polish standard is 2 hinges, but the German is 3. Moreover, there are variations in this number between the customers’ preferences. The 2 and 3 mentioned above is just the most typical number of hinges for the countries.
4.3.4 Trust and Commitment

The company claims to have well established, long-term relationships with their suppliers and buyers in all operational countries. The strategic suppliers of essential materials, being the saw mills, have been chosen for the wood fulfilling all requirements regarding highest quality. Moreover, the timber comes from forests cultivated according to environmentally friendly regulations. The relationships are carried out according to established agreements between the organizations. Close links to distributors located in Poland enable proper distribution of products, and diminish the risk of market share loss.

The overseas sales representatives, who are responsible for transactions and distribution of products in particular countries, are the ones establishing, maintaining and upgrading relationships with distributors. The tightness of these relationships usually depends on the amounts of good purchased by the distributors, as well as on their loyalty.

The need for establishing strategic relations in the industry is seen as necessary for the sake of obtaining resources and selling the products.
5. Analysis

The analysis part of the thesis includes examination of the empirical data from the theoretical point of view. It leads the author to conclusions and recommendations.

5.1 Market Research (the Five Forces’ Model)

Following Raphael and Parker’s (1991) idea about market research supporting strategic decision making, there is a need for such analysis in the case of the Swedish market of interior doors. Susan Ward (2008) suggests collection and analysis of the information regarding customers, competitors and effectiveness of marketing. Following her instructions, the Swedish market will now be analysed.

5.1.1 Swedish Clients

Swedes increased their expenditures on housing by 7 per cent between 2005 and 2007. In 2006 459 thousand people lived in first hand rental apartments in one- or two-dwelling buildings, 2,422 thousand lived in first hand and 95 thousand in second hand rental apartments in block of flats. The renewal or restoration actions there are usually conducted by the apartment owners. Nevertheless, in 2006 the majority of people lived in apartments or buildings which they own (1,097 thousand in apartments in block of flats and 4,305 in one- or two-dwelling buildings). They are the clientèle for the materials used for renovations, redesigning or home design finishing.

Clients chose interior according to their preferences in design. As The Official Gateway to Sweden states, the trends in industrial design in Sweden emphasise products’ simplicity and functionality. The offer of Swedish manufacturers is relatively similar to what Classen Pol delivers to their clients. As notices by the company’s vice-chairman, the company is able to deliver identical products on a significantly lower price.

5.1.2 Structure of Competition
The structure of competition of the interior door industry in Sweden is strong, although the players are few. Their limited number, carefully managed relationship with partners and great market position hold the industry in the same compilation of members for years. Significant wholesalers like Beijer Byggmaterial are supplied with the assortment coming from one manufacturer. Ekstrands, Dooria and Swedoor, with the last being the largest one, supply the market with their products in a manner which builds entry barriers for potential new entrants. Swedoor, in this situation, has a strong advantage, which enables the company to almost dictate the market prices and trends. As this may work well for the company, it could be seen as a negative factor from the clients’ point of view. Not only have they relatively narrow choice of manufacturers and doors’ design, but also they are obliged to depend on the prices generated in almost monopolistic way.

The small number of manufacturers is confronted with a proportionally high number of the representatives of the buyer side. The list of retailers, resellers, wholesalers and importers is long. Especially the importers should be able to negotiate the optimal deals, for they are mostly organized around partnership organizations like BMD or Interpareas. The function of these organizations, and as stated by themselves the core of their business, is to establish safe and dependable relationships between buyers (the importers) and sellers (the foreign manufacturers).

According to Porter (2008) significant bargaining power of buyers can enable them to obtain products at lower prices; they can have demands regarding design or quality. On the other hand, the final price of what if offered on the market, should be the effect of negotiations when the two bargaining powers meet, the suppliers’ and the buyers’.

Buyers are also in a weak position. The long relationships with the three companies could make them fear high supplier switching costs. The other representatives of the buyer side, the end-customers are the ones who suffer most. Especially now, in the economic crisis, the need for increased competition on the price field could bring positive outcomes. Swedes would be able to choose from a wider range of products, the prices of which would become competitive through the sole nature of competition. Substitutes existing on the Swedish market are few as well. The PVC products can be in the worse position. The Official Gateway to Sweden clearly highlights Swedes’ preferences in products made of wood. The glass and security door are less common, probably for the reason of their functionality being quite different from the focal group of products.

5.2 Adaptation
Adaptation to the Swedish market can take one of the four directions introduced by Sandhusen (2000). The company has to decide if they want to adapt their products (if so, how?) or the promotion strategies. The grid presented by Sandhusen (2000; See Figure 3) shows four options. Product and promotion extension is only possible when there are no differences between the markets, and the clients have identical demands in terms of products, and are affected by the same promotional strategies. It is also used by companies with high SRC. Organizations with relatively realistic SRC choose to adapt. They can adapt the products only, the promotion only, or modify both to optimally fit their products to the market.

Swedish market has its characteristic standards regarding technological aspects of interior doors. The measurements of doors, number and location of hinges, the doorframes, and most obviously the design, are these issues which set the standards. Only if adjusted to those standards, interior door could meet the requirements of Swedish homes.

Technological adjustments are not a problem to Classen Pol. The machines and machine tools the company possesses are possible to reprogram in a proper way. Neither there is any problem with design. The already mentioned Swedoor's 201/GW (priced 1,785 SEK in Beijer Byggmaterian in Västerås) has not only almost identical design, but also the same properties.

Promotion adaptation is an issue which can require deeper insight. Fight with the giant competitors requires careful analysis of existing promotional options. It is very important for the sake of any company’s future to make the best impression on clients who were so far used to a significantly narrow offer. In this particular situation, what could be modified to a status of the substantial promotional strategy is the price.

5.3 Entry Modes

In correspondence to what it has been written in the Theoretical Framework of this paper, the main entry modes which Classen Pol could use are: exporting, licensing, joined-venture and FDI (Ghauri and Cateora, 2006).

Licensing seems not to be the option for the company as no direct imperative for protects patents, trademarks or limiting import restrictions exist between Poland and Sweden. Both countries belong to European Union and the trade between them is organized according to European laws and regulations.

The joined-venture agreement was never a case of Classen Pol. The company has never entered any relationship of that sort. Again, the fact of both Poland and Sweden belonging
to European Union no severe trade barriers, which would make the joint-venture a necessity, exist between them.

Foreign Direct Investment is an extreme case. Sweden is not a low-cost labour country, the trade regulations are normalized, and the transportation costs are not significantly higher than anywhere else.

Thus, the option for the company to choose is exporting. The best option for this is establishment of relationship with resellers, wholesalers or major DIY stores, which would order a profitable amount of products on a regular basis.

Although there may not be any politically established barriers of entry to the market, Classen Pol's fight for customers with the three giants can require a lot of effort from the standpoint of design, technology, efficiency, quality and price.

5.4 Trust and Commitment

According to Zineldin and Jonsson (2000) the foundation of long-term collaborative relationships between customers and suppliers is the increased competitiveness on markets. However, this is not the case of the Swedish interior doors’ market. A few manufacturers and quite a significant number of distributors are the players between which the trust and commitment has been build throughout the years. Manufacturing companies build and improve their close relationships with buyers not because of other existing competitors. The relationships exist to form an entry barrier for the potential competitors. Moreover, Swedish clients, traditional and pretty conservative in terms of design, are due to the relationships accustomed to just a few manufacturers.

The Swedish competitors are clearly using the trust and commitment issue really well. Over the years they build an almost perfect network of distribution. Collaboration, cooperation and mutual dependence are the main forces of the relationships between the suppliers and buyers.

Zineldin and Jonsson (2000) claim that the prerequisite for establishment of trust and commitment in new relationships, is the reputation of both companies in previous collaborations with their business partners. Classen Pol has a lot of experience in building relationships. They collaborate with suppliers of all variety of needed materials. They also have experience in dealing with the buyers. The largest DIY stores in Poland, and significant ones in the overseas ones, are distributing the door with Classen Pol's trademark for years.
6. Conclusions and Recommendations

The research of the Swedish interior doors market brings the author to conclusions about the Swedish clients’ preferences, powers of existing manufacturers and distributors, and structure of competition. A few producers, namely three, have a great power over the retailers, resellers and wholesalers of interior doors. Nation-wide distributors, like Bauhaus or Beijer Byggmaterial, deliver any interior doors, as long as it comes from Swedoor. Relationships between the buyers and sellers have deep roots, are perfectly organised and carried out. The barriers of entry build this way are strong, and the attempts to enter the market will require more than simple export sales.

In a situation when the same goods are available in several purchase points, the prerequisite for customers choosing one store over another, and one producer over the other, is the price. Classen Pol nowadays has the products’ design which would suit the Swedish aesthetic demands, thus focus on price, rather than investment in design development, can be achieved.

What could be of prime interest of this paper’s focal company is how to start successful operations in Sweden. The company is used to adaptation to specific market demands, and should keep on doing the same with the products focused on the Swedish market. The thing that has to change significantly is the approach to the market. The company’s traditional way of starting cross-border sales, via sales representative, may not bring intended outcomes this time. The effort has to come from the company as a single organism.

The first step would be to establish contact with organizations like Interpares or BMD. They have the potential of cooperating with locally and nation-wide located retailers, resellers, warehouses and DIY stores. Classen Pol should be ready to sacrifice its resources in gaining trust of the agencies. Manifestation of already established long-term collaborations could be the prerequisite for the Swedish parties even before the business starts. The company should not use the same method as in the other countries, meaning the sales representative, for the efforts in obtaining a share of the Swedish market are significantly more noteworthy. And so can be the benefits of success.

What is needed is investment in establishing the same relationship with the partners in Sweden. Business relationships with Interpares, BMD or Bauhaus, could allow Classen Pol to gain a portion of the Swedish market. It is possible that throughout the future years of collaboration and cooperation, the share grows. Moreover, once present in Sweden, it can be much easier to manifest the company’s existence in other Nordic countries.
It is crucial to emphasize that it can be possible to establish relationships with the Swedish distributors without forcing them to unethically destroy their trust and commitment to existing suppliers. Classen Pol has to find its market niche. Preferably the niche should be located where the existing competitors have least experience or interest in.
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Appendices
Appendix 1 - Transcription of Interviews

Below the reader will find the transcription of all questions and answers from the series of interviews held between December 2008 and May 2009.

Magdalena (M): We have found out that Classen Pol has obtained a subvention of a certain amount of money from European Union. The money should cover some of the costs of building of a new production plant. Is that right?

Mr. Zadworny (Z): Not exactly. First of all, the procedure is not as simple as it may seem. Actually, we have been promised a maximum amount of 23,300,000 PLN (5,870,644.26 EUR) (1 EUR = 3.9689 PLN, 15 December 2008, 01:08) returned to us by the Operational Programme ‘Innovative Economy’\(^3\). The total cost of the investment of building the new plant is estimated at the level of 60,000,000 PLN (15,117,538.86 EUR), meaning that the EU will cover almost 40 (38.83) per cent of the estimated costs.

M: Where do you plan to locate the plant?

Z: The plant will be located close to our headquarters, just next to the existing production plant. The plan of the building has already been made and we are looking forward to the beginning of the building process.

M: In the moment of the economic crisis, do you still think about starting the building process? What is the situation of Classen Pol in the crisis?

Z: Apparently the industry has been affected very seriously by the crisis. The competitors who have been exporting their products abroad are nowadays suffering from the currency exchange rate, which is not working for them. Some competitors have been selling their products on the basis of a fixed exchange rate, and the variations in this rate were covered by their banks. We (Classen Pol) belong to a German-owned group, so we depend more and work on the basis of Euro. We have noticed that the competitors have significantly lessened the amount of exported door. In this situation, the latest market research have shown, that Classen Pol moved from the fifth to the second position on the market, and it is still growing stronger. In this situation, when Euro is not a threat and the foreign markets have their frontiers opened to our products, we indeed will build the new plant.

M: How will the new plant change the productive capabilities of Classen Pol?

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Z: As I am at the moment mostly concerned with our production capabilities in terms of doors, I can highlight it the following way. Nowadays, with the so far main production plant running, we are able to manufacture 45,000 complete doors per month. With the new plant the number will increase by 50,000, meaning that 95,000 doors will soon be leaving Classen Pol every month.

M: That is impressive. In your opinion, will you find enough clients for your products?

Z: The truth is that nowadays we (Classen Pol) do not have the capability to supply all the demand which is expressed by the market the company serves. The size of the planned plant is significant for two main reasons. First, Classen Pol will finally be able to deliver the demanded amount of items, and second, can look for other markets to enter.

M: And this is why you are interested in Sweden?

Z: There are many reasons for us being interested in the Swedish market. First of all, we find the market very interesting, demanding and ... inspiring. We believe we can learn from the competitors and from the market as a whole. Second, we look for new markets to be able to grow internationally. The neighbourhood countries which we supply are not challenging anymore. We strive for fighting into the Swedish market. Maybe, in the future there will appear a possibility for further expansion in Scandinavian Europe.

M: When do you plan to enter the market?

Z: We are ready to start our expansion every moment. The truth is that it takes time. The development of relationships with possible importers and distributors takes months to establish. All the agreements need to be detailed, covering all issues regarding the cooperation. We usually work with sales representatives, who work in the foreign country.

M: What functions are given to the sales representatives?

Z: Sales representatives are usually people who are either accustomed with the industry, or have both: industry experience and valuable contacts in the foreign market. These people usually speak local languages, and work as the connection between the manufacturing company and the distributors who deliver the product to the end-customers. The representative is mostly very well familiarized with the legal regulations about the import, invoicing systems, and all the country-specific rules, which have to be fulfilled for the business deal to be finalized. So far, we do not have such a person for the Swedish market.
M: Let me now show you some of the products offered by the local competitors on the same market. Do you see any visible differences between your offer and the doors which I show you now?\(^4\)

Z: I am actually very surprised. The door called here “Typ 2” is what we have in our own offer, but called “Malaga”\(^5\) and the “Typ 4” is our “Tetyda”\(^6\). That is positive information as far as the aesthetic tastes of the Scandinavian clients are concerned.

M: What about the technological adaptations? Will the company buy any special machine tools to start production of Sweden-oriented products?

Z: Nowadays we have all the machine tools that are necessary to produce the door and door frames for all the markets we operate on. From the past experiences we have learned that what is actually needed is just to re-programme the machines which now belong to our production line according to the country-specific demands. Moreover, 3,5 years ago we have bought a machine tool for door production from the Swedish door manufacturer – Swedoor. We hope to use this one in the future manufacturing process.

Nevertheless, producing door and door frames is not all. All countries have different demands as far as hinges are concerned. And styles or types are just one side of the story. Polish standard is 2 hinges, but the German is 3. Moreover, there are variations in this number between the customers’ preferences. The 2 and 3 mentioned above is just the most typical number of hinges for the countries. The doorknobs, which differ in materials and designs, are the additional thing.

M: Where do you order the doorknobs and hinges?

Z: The most cost effective way is to order them from China. We have previously established contacts with Chinese companies which specialize in manufacturing of doorknobs and hinges of any type or design. What they really expect from our side is the technical drawing or a sample of such doorknob or hinge (manufactured by a local producer according to our specifications; sent via DHL arrives in China in 48 hours).

M: As we have discussed the adaptations, maybe we can move to the issue of costs and profits. How would you estimate the cost of manufacturing the easiest type of door?

Z: The easiest door in our offer is “Natura with sash”\(^7\) in the full version\(^8\). The softwood or MDF\(^9\) frame, covered with wood derivative board and filled with stabilizing “honeycomb”,

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\(^4\) http://www.ekstrands.nu/Innerdorrar
\(^8\) http://www.classen.com.pl/www/pliki_graficzne/a_drzwi/natura/01.jpg
plus the doorknob and hinges is what makes the whole. The estimated cost of one unit is 14€. After application of all the German standards – proper doorknob and the hinges – the cost rises to 20 € per unit. In case of Sweden the only additional cost will be the shipping. The products we export now are usually shipped by trucks.

M: One last question. Do you plan to protect your products by patents?

Z: The only sensible thing that can be patented in door is the design itself. The production process, hinges or any other component does not seem either reasonable or possible to patent. Moreover, as we have noticed during this conversation we already have products looking similar to the Swedish competitor. Placing patents on the designs already existing on the market is not in our interest. Only the most valuable inventions of Classen Pol have been protected by intellectual property rights in the past.

\[\text{MDF - middle-density fibreboard}\]
Appendix 2 – Questionnaire

The questionnaire presented below is the translation of a form constructed by the author of the paper, and filled in by Violetta Cichoń, Classen Pol’s Marketing Representative. The questionnaire was sent by e-mail and received filled in the same way.

Instructions:

- Questions 1-7 and 10 are open-ended questions, for which a descriptive answer is needed; questions 8 and 9 are close-ended questions, answering which requires the respondent to mark one of the given answers to choose from;
- Please answer all the questions in an order they appear;
- In end of this questionnaire a space has been left for any respondent’s comments;
- If the respondent prefers to stay anonymous or keep any information confidential, please inform about this fact; in this case the authors will only use the title of the respondent.

Thank you in advance for your contribution.

Regards,

Magdalena Zadworna

1. What is the reason of Classen Pol looking for new export markets for their products?

Classen Pol is an international company. We have our offices in three countries: Germany, Poland and Russia, and trading agents in additional four countries: Bulgaria, Romania, Hungary and Ukraine. The strategy of the company is constant growth not only in the countries where the company has already established its presence but also in the new markets. Moreover, we continue to invest in development of our products. The development of the company, meaning building the new door manufacturing plant, development of new technologies, or acquisition of the doorframes manufacturer Lebo, is the main stimulus for further foreign expansion.

2. Why has Classen Pol chosen Sweden as a new market to enter?

The history of good exchange between Poland and Sweden is characterized with the exchange’s dynamics. According to Polish Ministry of Economy Sweden is the 9th most important partner in terms of international trade for Polish companies. The case is that Poland mostly imports goods from Sweden. The economic situation of Poland, economy’s
growth, and developed furnishing and construction industries makes Sweden an interesting potential country for Classen Pol’s export. The trades we have previously visited allowed us to establish some contacts with Swedish representatives (ABC10 via Mr. K., or the investment market representatives – X AB and Y AB). We are aware of the cultural differences leading to different tastes in aesthetics and country specific technical requirements that our products would have to fulfil to be marketed successfully. There requirements are not any constraint to us, and we are ready to meet them at any moment. We are seriously considering devoting part of our production capabilities for the Sweden-oriented products. It is a subject to establishment of dependable relationships with Swedish partners. The project of our door, which follows the Swedish standards, is ready, and will hopefully be materialized after trade shows in the end of January 2009.

3. How would you like to distribute your products in Sweden?

All of the 22 export countries where the distribution of Classen Pol’s door takes place is served separately. Especially in the current economic situation there is a high pressure on international relationships through middlemen. Employment of such a middlemen, who can be called a ‘sales representative’ or an ‘agent’, responsible for establishment of the distribution channel, is a pattern which Classen Pol has been previously successfully using in all partner countries.

4. Who are your clients?

The export of our products is conducted via three main distribution channels: wholesalers or resellers (70% of export sales), do-it-yourself stores (20% of export sales) and authorized retailers with wholesaling activities (10%). The percentages differ between countries and clients’ distribution expectations. Most of the channels are managed by experienced partners. Nevertheless, we also have previously established contacts with partners new to the industry who were willing to invest in the business.

5. How is the distribution organized?

See above.

6. How did Classen Pol establish their existing contacts in foreign markets?

It happened mostly on international trade fairs and agents. We also find information available at Embassy of Poland in various countries useful. Sometimes we conduct market researches through consulting groups, which specialize in export development and which have the access to dependable information.

10 Name of the company changed due to respondent’s demand, ‘ABC’ stands for a major do-it-yourself store present in Sweden
7. How would you like to transport the products to Sweden?

We usually use the EXW terms, but if customers’ demand DDU, we analyze the transport opportunities and choose the most appropriate one.

8. What is the characteristics of your products, which would constitute your competitive strength?
   a. Price
   b. Quality
   c. Design

Answer: a+b+c

9. When would you like to enter the Swedish market?
   a. Within 6 months
   b. Within a year
   c. After the year 2009
   d. The decision has not been made yet

Answer: d

10. Do you want to export the whole offer of Classen Pol to Sweden, or would you rather choose just a part of it?

We are mainly interested in exporting the interior door. The Scandinavian market has a rather narrow assortment of interior door. We consider our capabilities as highly competitive with regard to the existing competitors’. We estimate that our main competitor can be the Swedish door manufacturer Swedoor. Our offer of door is wide and adjustable to any tastes and country-specific regulations. The Swedish market, which is rather open to new trends, seems to be giving us the green light for our operations. While entering the market we will first try to convince the clients to the Classen Pol brand’s offering products similar to the ones already available in Sweden; similar but cheaper, of high quality and interesting design. In the moment when the brand’s awareness grows, and the Swedish demands will achieve the point of rent of return, we are planning on broadening the designs of the door in the profitable types.

Comments (optional)

The names of the companies with which we have established contacts are confidential, thus we kindly request you not to use them in your work.