

MASTER THESIS



Entry Barriers and How to Surpass Them

A Study of Chinese Telecommunication
Companies Entering the Swedish Market

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ABSTRACT

There will always be a variety of entry barriers for enter a new market, as a result of different entry barriers from some differences between new entrants itself. With Chinese characteristics of Chinese telecommunications enterprises, to enter the mature Swedish market in the field of telecommunication, there will be have some differences between the early studies of entry barriers with this enterprise characteristic and mature market, the purpose of this study aim to find out these entry barriers which Chinese telecommunications companies facing and effective solutions.

The theoretical framework of this study involved the general entry barriers of new entrants encountered, and included the influence aspects of these entry barriers. To collect the necessary information through using the qualitative research and case study, to collect the effective empirical data through the primary data and secondary data, our cases involved two Chinese telecommunications companies in Sweden, and combined with the theoretical framework and the empirical data for analysis, to find some relevant conclusions, bring value for practice and related research fields.

The actual meaning of this study consists in advices and suggested to the future of telecommunications companies which are similar with Chinese telecommunications companies to be aware of what will be the most main barriers they probably meet when they enter a market which is similar with Swedish market, so that they could make the correct solutions when they entering the market. The results of this study showed that Chinese telecommunications companies encountered several major entry barriers and appropriate solutions to enter the mature of Swedish market, but some long-standing entry barriers to solve them is a slow process.

Keywords: entry barriers, Chinese telecommunications companies, Sweden, mature market

ACRONYMS AND ABBREVIATIONS

List the acronyms and abbreviations of this paper used.

ICT – Information and Communication Technology
R&D – Research and Development
OEM – Original Equipment Manufacturer
CNY – Chinese Yuan Renminbi
FMC – Fixed Mobile Convergence
IMS – IP Multimedia Subsystem
WiMAX – Worldwide Interoperability for Microwave Access
IPTV – Internet Protocol Television
UK – United Kingdom
US – The United States
IT – Information Technology
3G – The third Generation Mobile Networks
4G – The fourth Generation Mobile Networks
5G – The fifth Generation Mobile Networks
NBA – National Basketball Association
3GPP – The Third Generation Partnership Project
IETF – Internet Engineering Task Force
BBF – Broadband Forum
ETSI – European Telecommunications Standards Institute
B2B – Business-To-Business
B2C – Business-To-Customer

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1 INTRODUCTION

This chapter provides background information about entry barriers, explains the relationship between Sweden and China, and features of telecommunications industry from different markets and different countries, and then defines our research question through problem discussion.

1.1 BACKGROUND

With the development of a company, the domestic market cannot satisfy its demand for the business development anymore. Therefore, the company starts to target bigger markets, overseas markets (Yip, 1989). Countless companies enter overseas markets every year. However, during the expansion process, some companies succeeded in finding a position in new markets, others failed. What factors affect the outcome and result in success or failure? How to enter the target market successfully? Many people want to find out the answers.

Ellis (2000) mentions that those decisions related to international markets entry are among the most critical decisions made by a firm. Some other researchers point out that there are some existing barriers when a company enters a new market, which could stop the new entrants entering (Caves and Porter, 1977; Perez and Soete, 1988; Rosenbaum and Lamort, 1992). Porter (1998) highlights the importance of locations to a company's competitive strategy. Lee (2012) points out that when an enterprise decides to enter an overseas market, it can always meet different barriers in different countries, since the entrant could face some difference in terms of language, culture, networking, law and so on. The competitive strategy of a company should be chosen according to the different situations of the target countries. In spite of the fact that there are amount of research about entry barriers for some countries, these research focus on some big international markets such as American, or UK (Driffield and Munday, 2000; Acs and Audretsch, 1989). There is still a lack of enough research about some other smaller markets.

China, as one of the fastest developing countries in the world over the past quarter-century, nurtured more and more companies that are going to accelerate their internationalization process. Sweden and China have kept the good relationship with each other for a very long time. After the establishment of The People's Republic of China, Sweden was the first western country to establish the diplomatic relation with China (Encyclopedia Britannica, 2007). In Sweden, ICT is one of the most dominant industries (Filippa, 2011). Sweden is often seen as a frontrunner in adopting new technologies and setting new consumer trends more broadly (VINNOVA, 2010). Now Chinese government and Swedish government are promoting the cooperation actively

with each other in the field of information and telecommunications. Swedish Prime Minister Fredrik Reinfeldt once said that “*China is Sweden's biggest trading partner in Asia and the economic exchange is constantly increasing*” (Hökerberg, 2010). In this case, more and more Chinese telecommunications companies want to enter Swedish market as well as Swedish telecommunications companies want to enter Chinese market. Comparing with Swedish telecommunication companies, Chinese companies started their business and research relatively late. Although some of them were supported by the government to expand the market, they still inevitably encountered other barriers. For better understanding the situation, some related information need to be known.

First of all, the features of telecommunications industry. Telecommunications industry could be thought of like a complex big machine, consisting of networks, mobile phones and so on. It helps people to speak, share thoughts and do business with other people who might be in anyplace in the world. Patented technology is one of the most important keys to develop companies' products and dominate the market, and the requirements of technology in this industry are high (Hargreaves, 2001). Every telecommunications company invests a big amount of capital in R&D. Rapid technological development and increasing market turbulences lead to a more complex situation in telecommunications industry, and hence previous technology or business model could be obsolete (Li and Whalley, 2002).

Second, the features of Swedish telecommunications market. The telecommunications industry has a long history of more than 100 years in Sweden, and the telephone densities of Sweden was one of the highest in the world with well-functioning and cheap services in 1990s (Lindskog, 2004). In Sweden, the number of subscriptions for mobile voice and data services keeps going up from about 10.0 million to 14.0 million from 2008-2013 (Wigren, Kojo and Fransén, 2013). Lindskog (2004) points out that Telia AB, Tele2, etc. are the main Swedish operators with a full range of public and private services for companies and households. ICT is one of the most dominant industries in Sweden (Filippa, 2011). There are some strong local companies occupying the Swedish market. For instance, Ericsson as a Swedish company is a symbol of technological prowess and entrepreneurial success in the minds of Swedes (Faaize, 2002).

Third, the features of Chinese telecommunications companies. Chinese companies have long been regarded as latecomers for international technology competition, and Chinese telecommunications industry rarely get access to foreign markets. As we currently know, only Huawei and ZTE are successfully standing in the international market. Yutaka and Yoshitoshi (2010) point out that, even if they get financial support by the Chinese government, lots of Chinese companies still suffer from lacking of brand and technology in well-developed markets before they directly enter foreign markets, such as production of non-brand goods or production on OEM.

Furthermore, Low-cost strategy is always a characteristic of Chinese companies. For example, it was indicated in Yutaka and Yoshitoshi's (2010) report that the first contract of Huawei with overseas company was made by providing low-cost advantage.

As shown above, each country, market or industry has its own features. These features would influence the existence and development of these countries, markets and industries in many aspects. There are many research about the general situation, but only a small number of research targeted for one specific country, market or industry.

1.2 PROBLEM DISCUSSION

Barriers for a company to entry a market become a popular research area since the seminal work of Bain (1956). When a company chooses a country to enter, the given terrain of the country could commit this company, furthermore, it would influence the foundation of the company's international expansion in the future (Ellis, 2000). Identification of barriers could help to make proper strategies for development of company (OECD, 2009).

Most researchers studied those barriers based on an ordinary circumstance (Porter, 1985; Pehrsson, 2007; et al.). Notwithstanding, there are only a small number of studies about the barriers for one specific industry or market. As you can see above, given differences between different countries, markets and industries, the barriers which companies face in different industries and markets should be different. Stahl and Karakaya (1992) find that market entry barriers affect the choice of company's strategy, dispel companies' plan to enter the market, or influence the choice of firms how to enter markets sometimes. In this case, when a company wants to entry a specific market, this company should find out the features of its target industry and market, and then choose the strategies according to these features. Lacking of research to target industry in target market cannot offer corresponding assistance for the company to recognize the barriers and overcome it.

In this thesis, the aim is to investigate the situation of Chinese telecommunications companies entering Swedish market. As mentioned above, there are many features in this situation such as Chinese telecommunications companies are regarded as latecomers for international technology competition, and Swedish market is very mature relatively. Based on previous academic research, we want to identify the main barriers in this situation.

1.3 PURPOSE

The purpose of this thesis is to deepen the study of barriers encountered by Chinese telecommunications companies when they enter Swedish market, and try to find out which specific barriers could most affect the Chinese telecommunications companies during the process of opening up the Swedish market, furthermore, try to find out what strategies could be useful to against these obstacles.

As knowing these, it can be very helpful for some telecommunications companies which are similar with Chinese telecommunications companies to be aware of what will be the most main barriers they probably meet when they enter a market which is similar with Swedish market. And then, we hope that our findings could offer some useful suggestions about how to overcome and deal with these barriers when companies try to enter the similar industry and market.

The research questions is:

What are the main barriers when Chinese telecommunications companies enter Swedish market?

After identifying the barriers, we will try to offer some suggestions that can help to overcome these barriers as well according to our analysis.

1.4 STRUCTURE OF THE THESIS

The thesis proceeds as follows: First of all, a literature review about the subject of entry barriers will be presented with the theoretical framework related to the topic; second, research approach and research design will be explained in methodology part; third, the empirical data will be presented in line with the interviews; fourth, the data will be analyzed combining with a theoretical interpretation; fifth, the conclusions and discussion will answer the research question; sixth, implications and limitations will be presented finally.

2 THEORETICAL FRAMEWORK

This chapter provides the various studies about entry barriers, and develops a theoretical framework from these different types of entry barriers to better prepare the empirical data collection.

2.1 THE CONCEPT OF ENTRY BARRIERS

The performance impact of barriers to entry has been widely investigated (Marsh, 1998). New entrants to an industry want to gain market share, high profits, not only to consider their own advantages, but also to consider the barriers from themselves and existing competitors. Wallace (1936) puts forward a research program: “*The nature and extent of barriers to free entry need thorough study (p. 83).*” Fifteen years later, Bain (1956) published the first book about the study of entry barriers, and since then the barriers to entry have been a popular field of research. Bain (1956) defines the entry barrier as “*anything that allows incumbents to earn above-normal profits without inducing entry (p. 3).*” He believes that economies of scale and capital requirements are in accordance with his definition, because they are interrelated with high profits. Stigler (1968) later defines an entry barrier as a “*cost advantage of incumbents over entrants (p. 67).*” Then Porter (1980) points out that barriers are “*obstacles preventing entrant firms from being established in a particular market (p. 7).*” and suggests five basic forces that govern competition and profitability in an industry, one of the five forces is the threat of new entrants.

From these entry barriers’ research, it can be found that the formation of factors can be generally classified from some aspects. Some researchers list those factors as cost (Stigler, 1968; Porter, 1998), economies of scale, capital requirements (Bain, 1956; Porter, 1998), product differentiation, government policy and access to distribution channels (Porter, 1998). Shepherd (1979) introduces the barriers according to the reasons caused by the internal or external factors called exogenous barriers and endogenous barriers. Some researchers stress the entry barriers as structural (or innocent) barriers and strategic barriers which are also often considered as economic and behavioural barriers to entry (Bain 1956; Scherer, 1988; Bunch and Smiley, 1992). McAfee et al. (2004) through other researchers’ studies point out that the primary barrier to entry is a cost that constitutes a barrier to entry on its own, others as an ancillary barrier to entry that combine and reinforce each other to produce a primary entry barrier.

2.2 DIFFERENT TYPE OF BARRIERS

As being introduced above, there are many different types of entry barriers. These entry barriers not only could be applied to new entrants into the industry, but also could be applied to an enterprise to enter foreign markets. All of them as new entrants, these factors are combined and reinforced with each other formed the main barriers to entry.

2.2.1 Cost

Cost as a primary barrier to entry is paramount, Porter (1998) also believes that the cost of competition with others determined the height of barriers. According to a study found that the cost has two aspects that can influence the barriers to entry.

One is cost disadvantages (Gable et al., 1995; Han et al., 2001), several researchers consider that it is important from incumbents' cost advantages. Pehrsson (2009) explains that *"incumbents may possess absolute or variable cost advantages, forcing the entrant firm to achieve scale effects and low cost"* (p. 66), they have the less each unit costs due to their economies of scale. For example, suppliers usually offer discounts to dealers for large purchases of products, which brings disadvantages to small companies. As some researchers (Porter, 1980, 1998; Karakaya, 2002; Scherer, 1970) study that *"cost disadvantages independent of size."* It is also difficult to access to the best raw material resources than the incumbents (Porter, 1998), sources of this best raw materials take time and experiences accumulated. Porter (1998) also mentions proprietary technology. Especially in high-tech industries, the proprietary product technology is a cost disadvantage of new entrants, you will pay much money for incumbents who own the proprietary technology. There are also some other factors affecting the cost disadvantages, such as learning or experience curve (Porter, 1998; Scherer, 1970), and favourable locations (Porter, 1998). And the learning or experience curve for labor will impact on the unit costs of product, for entrepreneurs will impact on the strategies of entry barriers.

Another one is switching costs (Porter, 1980; Farrell and Klemperer, 2007; Gruca and Sudharshan, 1995; Karakaya and Stahl, 1989). As the results of a consumer to change suppliers, switching costs not only prevent replacement between the incumbents, but also prevent more entry. Like in some industries, the company already has equipment suppliers, if they want to choose a new supplier, it will lead to some extra cost in the process of changing equipment. Such as Porter (1980) and Pehrsson (2009) list that employee training, new equipment, and technical support, as a result of the existence of these factors, the customer would consider the choice of new suppliers. Therefore, switching costs is one reason that consumer will not change suppliers easily.

2.2.2 Economies of scale

Bain (1965) proposes that economies of scale are one of entry barriers. Then some researchers (Caves et al., 1975; Karakaya, 2002) also confirm that the economies of scale impact on market entry. Incumbents may have already built plants of efficient scale, in order to get more benefits of production and purchase based on the economies of scale, they can use the price of a large number of promoting products. Economies of scale and cost disadvantage are interaction (Pehrsson, 2009), it has been mentioned in the part of the cost disadvantage. Incumbents improve the selling price and profit potentially (Bain, 1965), it means that new entrants probably need to reduce the unit cost for competing with this price, it brings the effects on cost for new entrants, which makes that the new entrants have to choose the market entry strategy with the products of no profit or lower profits. As Porter (1998) says that barriers made by incumbents' economies of scale act in marketing, sales distribution, utilization of the sales force, and nearly any other part of the business to deter new entrants. Baumol et al. (1982) and Geroski et al. (1990) mention that the economies of scale impact on financial risk. For example, the large companies can get the financial support from bank at a lower interest rate than small companies, which makes them have a lower cost of capital than small companies. Similarly, brand loyalty in the economies of scale are also important, the company form a certain market share through the economies of scale, and the brand loyalty also helps to gain the market share to the company. As McAfee et al. (2004) say that the existing loyalty of customers to the incumbent's brand can promote the incumbents' economies of scale and therefore prevent new entrants to enter. Customers may be loyal to an existing brand, and they probably think that choosing a product of old brand has less risk than trying a new one. The brand loyalty may affect the speed of the company's market entry and profits gain, it also has a high impact on enterprises to enter new markets.

2.2.3 Capital requirements

New entrants to enter new markets, without a certain amount of financial resources is not feasible, as Shepherd (1997) says that there will be some risks. Especially in the early to enter a new market, it needs to invest large financial resources in advertising (Porter, 1998), research and development (Porter, 1998; Schmalensee, 1983), or adapt local market (Pehrsson, 2004). New entrants need to invest the cost of large advertising for allowing more consumers know you, need to think about the cost of research and development for making difference between incumbents; for having their own characteristics, need to think about the cost for adapting technology to local market conditions. It will have extremely difficult if new entrants do not have a set

amount of financial resources to deal with these costs. Porter (1998) points out that capital is necessary not only for fixed facilities but also for customer credit and inventories. McAfee et al. (2004) also say that the new entrant must commit large financial resources to enter, it means that the capital requirements have a high influence on barriers to entry.

2.2.4 Product differentiation

The concept of product differentiation was introduced by Chamberlin (1933) in his “Theory of Monopolistic competition”. It means that product or service is distinguished from others, to make it special and attractive to a particular target market and customers. Gable et al. (1995) also mention that the product differentiation reflected in the products of technology and service differentiation. There are two important different types of product differentiation. One is called horizontal differentiation, it means that when the prices of products are the same, some customers prefer to buy some of these products while other customers prefer the other products. These products are differed in characteristics, such as Pepsi Cola and Coca Cola. Another is called vertical differentiation, it means when the prices of products are equal, all the customers only willing to buy the same product. These products are differed in quality like BMW versus Toyota (Burnett, 2008).

Product differentiation (Pehrsson, 2004; Schlegelmilch and Ambos, 2004) is one of the factors that company foster brand identification and gain large market share (Porter, 1998). It is of help to enhance brand awareness of consumers. Different product types could help the company gain different type of customers and customers’ loyalty. Accessing a certain type of customer could help to balance against other types. It creates customers’ loyalties and poses an obstacle for new entrant (Johansson and Elg, 2002). It reduces cross-elasticity of demand between incumbent firms’ brands and new entrants’ brand. New entrants have to make extra outlays and some activities overcome customers’ loyalty, for instance, extra outlays of advertising and customer service will be used to offset the brand benefit of incumbent (Porter, 1998; Caves and Porter, 1977). Since incumbents have some customer loyalty, nothing-special product differentiation of entrants is very difficult to increase profits.

2.2.5 Government policy

Government policy (Delmas et al., 2007; Russo, 2001) could be a significant direct or indirect barrier to entrants in many industries (Porter, 1998). And there are different types of government policy could form barriers. For example in the banking industry, as a barrier, government policy could stimulate adjustment of the product/market

scope of incumbents by changing the deregulation or other institutional (Bonardi, 1999; Delmas and Tokat, 2005; Haveman, 1993; Pehrsson, 2001). Consequently, because of deregulation, many firms in the savings and loans industry had expanded into new areas. In other industry like oil industry or coal mining industry, as Porter (1998) says that the government can limit entry by controlling the license requirements or access to raw materials. Some researchers also (Delmas et al., 2007; Russo, 2001; Schlegelmich and Ambos, 2004) find that incumbents' differentiation is influenced by government regulation. Different requirement of customs tariff in different countries is an important barrier in international trade process as well. In the telecommunications industry, the governmental provision about patent is an important factor which can influence the choice of entrant. Above are all examples of direct government policy barriers, government policy could perform an indirect barrier by managing such as the air and water pollution standards or safety regulations (Porter, 1998).

2.2.6 Access to distribution channels

Distribution activities are undertaken to help the exchange be easier between manufactures and ultimate consumers. During the process of distribution, many sales of the product and the members of the channel of the distribution are involved (Burnett, 2013). There are two general different types of distribution channels. One is an exchange junction, means that the channel helps to sale the products or services from producer to customer, wholesalers and retailers are common members of distribution channels in this type. Another is physical distribution channel, means that help to deliver the goods from producer to customer through exchange channels, such as express company.

For a new entrant to the market or industry, securing distribution of its product or service is paramount (Porter, 1980, 1998). Especially in exchange junction type. Getting a good and mature distribution channel to company's products could help entrants to stand on the market better and sooner. As a simple example, a food manufacturer could gain more customers or enable consumers to know them sooner by cooperating with a big retailer such as Carrefour. In the physical distribution, good logistical activities could help the company to gain competitive advantage by reducing transportation cost or providing good service to consumers. In the meantime, it could be a barrier to entrant as well, because available channels might to be controlled by incumbents or existing competitors (Pehrsson, 2004; Han et al., 2001).

2.3 EXOGENOUS BARRIERS VS. ENDOGENOUS BARRIERS

As described above, Barriers were identified from different aspects of details by some researchers. Shepherd (1979) categorizes the barriers from the perspective of external and internal condition of the environment to two types as well. One is called exogenous barriers while another is called endogenous barriers. Pehrsson (2009) explains that *“exogenous barriers are those that are embedded in the underlying market conditions and firms are not able to control these barriers (p. 66).”* He also explains that *“endogenous barriers are created by the established firms through their market strategies and their competitive behavior and are thus based on incumbents’ reactions to new entrants’ efforts to become established (p. 66).”* And Gable et al. (1995) also mention that the type of barriers is complementary to each other, they may be hard to explain.

Exogenous barriers could be, such as, switching cost, the cost disadvantage, economies of scale, capital requirements, product differentiation, government policy and access to distribution channels. As Karakaya (2002) mentions that it is formed from the company’s internal situation and market situation. These exogenous characteristics affect the competitive capacity and determine the behaviour and market performance of company (Bain, 1956). Those external factors impose upon the market. For instance, the government regulations imposed by public sector institutions to the market could limit the entry of market. Among those barriers, some researchers consider that incumbents’ cost advantages are paramount barriers to entrants (Han et al., 2001). As explained above, the cost advantages of incumbent could help incumbents to gain higher profit than competitors or force competitors to decline their cost or lower their sales price which results in the lower profits of competitors.

As the explanation of endogenous barriers, barriers are not only from external condition, the reactions of incumbents to competitors are affected by the strategy of entrants as well. As Scherer (1988) states that it is created by company’s decisions. Strategies of incumbents are meant to reduce the benefits of new entrants, and achieve sustained competitive advantages through using their internal strengths implementation strategy (Barney, 1991). Marsh (1998) finds out that the competitive strategy of incumbents in local market usually focuses on creating continuous barriers and stress for new entrants to entry the market difficultly. For example, when there are new entrants appearing in the market, incumbents usually take some activities to respond such as increasing advertising and sales promotion (Demsetz, 1982; Gable et al., 1995), or eventually result in price competition (Guiltinnan and Gundlach, 1996; Simon, 2005). These activities of incumbents enhance their degree of product and service differentiation, those measures help existing retailers indirectly to increase the cost of entry to a potential competitor.

2.3.1 Increased advertising and sales promotion

Some researchers (Demsetz, 1982; Gable et al., 1995) find out that incumbents frequently increase advertising and sales promotion when the new entrants enter the market. These measures lead to new entrants to enter the market, in order to promote more customers to know and understand company's brand and products. And also choosing to spend money on advertising, some new entrants may lose their competitive ability due to the insufficient capitals, as Pehrsson (2009) explains that it increases the competition between competitors. These measures lead to incumbents to show their products' characteristics to the customer, competitors will continuously improve and innovate their products in order to reflect their own differences and advantages, and thus Gable et al. (1995) say that increase the degree of products and services differentiation. As Gable et al. (1995) find out that increased advertising and sales promotion also could strengthen the capital requirements and promote the product differentiation.

2.3.2 Price competition

Some researchers (Guiltinnan and Gundlach, 1996; Simon, 2005) pointed out that preemptive pricing would lead to price competition. Limit pricing (Bain, 1956; Bunch and Smiley, 1992) is a strategic of price competition. It is a strategy formed by incumbents in order to prevent new entrants, they want to preempt the market by limit pricing, they may price the product with a low cost or zero profits, for increasing the entry cost of the new entrants, or reducing profits after new entrants to enter. In fact, it can also be interpreted as an absolute cost advantage of incumbents. But Bunch and Smiley (1992) also points out that limit pricing is used least for companies want to get high profits from products. Therefore, limit pricing or predatory pricing strategy may also create barriers to entry.

2.4 SUMMARY ENTRY BARRIERS CATEGORIES

Table 1 shows the general categories of entry barriers, carries on the simple description, and summarized the aspects of each category.

Category			Description	Aspects
Exogenous	Cost	Cost disadvantage	Incumbents possess absolute or variable cost advantage	<ul style="list-style-type: none"> ➤ Proprietary technology ➤ Scale affects ➤ Learning or experience curve ➤ Favourable locations
		Switching cost	A results of a consumer to change suppliers	<ul style="list-style-type: none"> ➤ Employee training ➤ New equipment ➤ Technical support
	Economies of scale		Incumbents improve the selling price and profits potentially	<ul style="list-style-type: none"> ➤ Cost ➤ Sales distribution ➤ Brand loyalty
	Capital requirements		A results of market inputs	<ul style="list-style-type: none"> ➤ Advertising ➤ R&D ➤ Adapt local market
	Product differentiation		Covering more types of consumers, expand the competitive advantage	<ul style="list-style-type: none"> ➤ R&D ➤ Brand awareness ➤ Customer loyalty
	Government policy		Objective conditions	<ul style="list-style-type: none"> ➤ Customs ➤ License ➤ Patent
	Access to distribution channels		Helping to cover a larger market	<ul style="list-style-type: none"> ➤ Channels of wholesalers and retails ➤ Logistics
Endogenous	Increased advertising and sales promotion		Create loyalty for the brand and product	<ul style="list-style-type: none"> ➤ Brand loyalty ➤ Product differentiation
	Price competition		Limit pricing to preempt the market	<ul style="list-style-type: none"> ➤ Cost advantage

Table 1. The categories of primary entry barriers with influence aspects

Each researcher has difference opinions about the entry barriers, we studied the entry barriers by these researchers' research, and summarized some of entry barriers with the most frequently encountered, and classified and described briefly for these entry barriers. We also deeply summarized the influencing aspects of each entry barriers may exist, and the data of further analysis will accord to these aspects.

3 METHODOLOGY

This chapter provides some information about the research process and literature, explains the reasons of chosen research approach and research design, and also describes our data collection and data analysis.

3.1 RESEARCH APPROACH

There are two approaches for a research study, the quantitative (emphasis on large amounts of data collection and objective reality) and qualitative (emphasis on deeper understanding of fewer data sources and individual perception of reality) research approach (Bryman and Bell, 2011). Green (2007) mentions that qualitative methods are aimed to “*answer questions about the ‘what’, ‘how’ or ‘why’ of phenomenon (p. 3).*” And qualitative research is more suitable for the problems which need to explore more information (Nicholls, 2011). Alonso (2009) points out that quantitative research do not show the experience of the respondents, and will be limited in some areas of research. Surrounding our research questions, we want to find out what are the main barriers when Chinese telecommunications companies enter Swedish market and offer some suggestions that can help to overcome these barriers as well according to our analysis. Using qualitative analysis can better answer our research question. As Green (2007) argues that the characteristics of qualitative research is trying to understand certain aspects of social life, rather than analyzing the data by statistical methods. So in this paper, the approach was based on qualitative research approach. Because this approach allowed us to obtain the personal views about company’s information more easily, and we can clarify their problems through the views of respondents. And in order to know what they do to overcome the difficulties, we can find some interesting and subjective opinions from the interviews, and easier understand what we want to know through the interview. Thus, the qualitative research approach can provide us with the best results to learn more about the barriers encountered by Chinese telecommunications companies.

Yin (1984) finds that the case study has been especially applied to qualitative research widely. And Creswell (2003) believes that in a case study, “*researcher explores in depth a program, an event, an activity, a process, or one or more individuals (p. 68).*” We have chosen the approach of qualitative research; therefore, we need to obtain more information about our research questions. Only the deeper understanding of the case can help us study better, so the best way for our study is a case study. Yin (1984) mentions that the results of the case study are related to the daily experience of readers, and provides insight into complex real-life in a more understandable way. It is proved that the choice of the case study contributes to our research. Bryman and Bell (2011) also point out that case study is not limited to a single study, while

multiple-case study has become more and more common, allowing the researchers to consider “*what is unique and what is common across cases, and frequently promotes theoretical reflection on the findings* (p. 64).” Thus we chose two companies for our research. Cross-analysis and comparison of two companies help us find the noteworthy information.

Generally speaking, considering the relationship between theory and research, the approach is also divided into deductive and inductive approach (Bryman and Bell, 2011). Williams (2007) points out that qualitative research is a prerequisite for the establishment of the inductive approach rather than deductive approach. But Bryman and Bell (2011) also mention that there is no research is absolutely deductive or inductive. According to our study, we choose the approach of deductive. We looked for existing theories related to our research question, developed the main framework on the basis of Porter’s five forces (the threats of new entrants), and combined interview data with existing theories to identify the entry barriers that may be encountered, and deduce our conclusions through the case study.

3.2 RESEARCH DESIGN

Research design is to control the research and monitor the progress of any deviation from the correct direction of research (Ghauri and Grønhaug, 2005). Based on case study research, Yin (1984) proposes that appropriate standards and recommendations could direct the development of more research in the field. In this paper, we chosen two Top Chinese telecommunication companies as our cases, who are within the same industry, have the same cultural backgrounds, set up offices in Stockholm and entered the Swedish market successfully. Meanwhile, they also have some individual differences between each other. Based on our research questions, we can more easily compare to find the similarities and differences between the two cases. As Bryman and Bell (2011) contend that through the comparison between cases, with regard to what is unique and what is general, it can contribute to the theoretical knowledge. Because in the telecommunication industry, the demand is very high for the R&D as well as the marketing. In this case, we should find the right person who can share the information from the both sides. Therefore, our ideal respondents are sales manager and R&D manager in Swedish branch, since these people are more suitable to describe the barriers of entry in Swedish market from a different perspective.

3.3 DATA COLLECTION

Leedy and Ormrod (2001) put forward, *“Data collection is an important aspect of any type of research study. Inaccurate data collection can impact the results of a study and ultimately lead to invalid results (p. 17).”* In order to study better, our data was collected in form of primary data but also in form of secondary data.

3.3.1 Primary data

Leedy and Ormrod (2001) say that the primary data shows reality in most effective, and enlightening way as if it was provided by a witness of the event. The data collection can be collected directly or through participant observations and interviews (Hox and Boeije, 2005). We cannot experience the situation or reflection offered by interviewees about our questions by ourselves, so we chose to get the information that can help us to study our questions from the interviews. For our interviews, we created an interview guide of problem direction. Because interview guide was a supplement to the questions in the interview process, and interview records helped to the future analysis (Bryman and Bell, 2011). Through the office telephone, we found the ones we need to interview, and sent an email of interview guide showing what we want to understand. Then we had a telephone interview with respondents and recorded it for our future analysis. Due to the time and distance, we felt a pity that we cannot go to the company and conduct face-to-face interviews, nor can we see their speech expressions. Therefore, we chose the form of telephone interview. Although VanderStoep and Johnston (2009) make a point that the telephone interview can get a high response, still we did not get an interview chance until several calls were made. We were honored to interview the sales manager and R&D manager of case 1, but we just had one interview with sales manager of case 2. Through summarized the information about the first interview, we found out the missing information for the next interview. Although there were some obstacles we still got the desired information from each interviewee. Here is some information about our interview as table 2 showed:

Case	Position	Form	Data	Time
Case 1	R&D manager	Phone	2014.04.29	1h
			2014.05.06	1h
	Sales manager	Phone	2014.04.30	1.5h
			2014.05.08	1h
Case 2	Sales manager	Phone	2014.04.28	1.5h
			2014.05.07	1.5h

Table 2. Information about the case interviews

3.3.2 Secondary data

Leedy and Ormrod (2001) maintain that although there is communication with a witness, different channels of description are likely to present the data in different ways such as newspaper, documents, photographs and video. The primary data just gives some information about the interviewees' view, we also need some information about the company, which requires secondary data. The secondary data was mainly collected from companies' websites, annual reports, some news about the companies and academic database. As Hox and Boeijs (2005) mention that there is a problem with the information from companies' websites, which is the need to track and judge its validity. For instance, the companies' websites just show some information about good news and positive image of the company. The theoretical foundation literatures from academic database is our mainly secondary data, including scientific paper, books and journals. As Hox and Boeijs (2005) pinpoint that to use the academic database efficiently, we need to develop a search strategy using appropriate keywords. For example, in case that we want to find out the theory of entry barriers, we need a keyword "entry barriers" to access related theories. It can help us more quickly and accurately find the information we need.

3.4 DATA ANALYSIS

Before data analysis, it is necessary to ensure that the data was recorded in notes, audio or video format (Creswell, 2009). Our secondary data was mainly from companies' websites and academic database, used as background information and the theoretical framework, and that the data analysis therefore dealt with the primary data. Weitzman (2002) stresses that the interview data of qualitative research cannot reflect what it means, it still need a researcher to analyze. Flexibility, creativity, insight and intuition are paramount for qualitative data analysis (Leech and Onwuegbuzie, 2007).

We follow several steps for our analysis: 1) Prepare the data form interview, we have Swedish and Chinese interviewees, and then we need to collate interview content, such as translate Chinese into English. English interview was a significant challenge for us, we had to collate the records many times. 2) Read all the data, gain some general information what can help us study, and then extract the most relevant information with our study. 3) Conduct analysis based on the theoretical framework. Our theoretical framework is divided into several categories. We searched for a connection between these categories through the description of the interview data, such as encoding the data. 4) Represent the data, integrate the data between these categories and data analysis, and then draw a table clearly show our findings and analysis. 5) Interpret data, after analyzing the data from the interviews, in conclusion

part, we evaluated whether each factor in each case is high or low. We categorized the factor as high if the interviewees mentioned it or specifically explained it that they saw it as a barrier, it was hard to be overcome or it needed long-term effort to overcome; we categorize the factor as low if the interviewees did not mention it or did not specifically explain it that they saw it as a barrier, or they explained that it could be easily conquered. We interpreted and summarized our findings and analysis through the comparison of two cases, and then made a conclusion for our research.

3.5 RESEARCH VALIDITY AND RELIABILITY

In order to get a high quality of qualitative research, it is necessary to judge the validity and reliability both internally and externally (Bryman and Bell, 2011).

Internal validity can be defined as a sound correlation between the observation of the researcher and the basic theoretical assumptions they develop (Lecompte and Goets, 1982). In our situation we tried to improve internal validity by developing the interview guide based on our theoretical framework and also by selecting respondents with a solid understanding of the field in object of the study.

External validity represents the question of whether the results of finding can be widely generalized (Bryman and Bell, 2011). When doing a case study for a particular company this means that the results of the study is specific for this company. This is in line with the purpose of this study; to find the entry barriers that the two telecommunications companies have encountered, and provide suggestions for the future companies in a similar situation. Therefore, the results of our findings can be generalized for companies in a similar context. That context is high tech companies from China entering a market in a developed country. Some results can also be applicable in general for companies from other emerging economies. However, for the broader generalization considerations must be made for the specific factors relating to China. Our primary data from interviews of two successful telecommunications companies and the answers from interviewees are related to our research question. Our secondary data from previous literature and companies' websites, are close to the field of study and improve the validity of the research. This improvement is achieved by comparing primary and secondary data sources.

Bryman and Bell (2011) point out that reliability represents "*the question of whether the results of a study are repeatable (p. 40).*" The internal reliability of the qualitative study is determined by the relationship between researchers over the research process and the external reliability consists of the capability to repeat a study (Bryman and Bell, 2011). Specifically for case studies internal validity can be improved by more than one observer agree to what is seen and heard (Lecompte and Goets, 1982) and

that more than one researcher have analysed the data with similar conclusions. In our study we analysed the data individually between the two authors and thereafter compared and discussed our findings.

Due to time constraints, we used telephone interviews. However, we made two phone interviews with each respondent in order to give the respondent a chance to think about their answers and correct them if needed. This means that our answers are more probable to be similar if the study would be repeated, thereby increasing reliability (internal as well as external). Also in order to obtain a high reliability for our study, we did not only collect interview data, but also searched information from the companies' websites and other news sources to assess the reliability of the interview data. Furthermore, the reliability is also reflected in that both authors participated in every interview process, data collation, and further data analysis to reach conclusions in agreement.

4 EMPIRICAL DATA

This chapter provides our empirical data from our interviews and our secondary data, introduces the background with each case, and collates the empirical data of two cases according to our theoretical framework.

4.1 CASE BACKGROUND

Below will introduce the basic information of the two companies, the information about existing competitors in Swedish market and the information mainly comes from their website.

4.1.1 Swedish market

The Ericsson is a Swedish local company which was established in 1876, it was the third company who own the most market share of world about GSM products in the late 1990s. The location where Ericsson headquarters is names Kista, which is called the European Silicon Valley, it is the world leading business and research within the digital realm. Nokia is a Finnish company which was established in 1865, and in 2005, the yearly sales of mobile phone of Nokia was the number one of the world. These companies' capability of the R&D was very strong and the technology in Swedish market was already leading in the world when the two cases entered into Swedish market. Ericsson and Nokia are the main existing competitors in Swedish market with high technology, the local market was dominated by these strong competitors and the Swedish market was already mature.

4.1.2 Case 1

Huawei is a company which produce and sell telecommunications equipment with private telecommunications technology, it was formally registered in 1987 and the headquarters is located in Shenzhen, it is the top two largest telecommunications equipment manufacturers in the world. Huawei's products are mainly involved the switching network, transmission network, wireless and cable fixed access networks, data telecommunication network and wireless terminal products in the telecommunication network. It provides hardware, software, services and solutions for telecommunications' operators and professional network owners all over the world. Huawei's products and solutions have been used in more than 150 countries, serving 45 operators of the world's top 50 operators and a third of the global population. Huawei had 1.5 billion CNY sale volumes in 1995 in China. Huawei

continues to enhance the ability to innovate around customer needs, new technologies, new areas for continuous study and tracking. Huawei has successfully introduced a solution and other new technologies in FMC, IMS, WiMAX, IPTV as well as new application fields. Huawei sets up 23 R&D institutes in Germany, Sweden, UK, France, Italy, Russia, India, China and other countries, these different R&D institutes focus on different directions by using the global synchronous R&D system of internationalization and gathering the global technology, experience and talent to products' R&D; Huawei has 34 joint innovation centers with the leading operators to transform the advanced technology into the customer's competitive advantage and business success; Huawei has 22 teams in more than 100 overseas branches, in order to get closer to customers and listen to customers' needs and try to respond them quickly; Huawei has 36 training centers for the local train technical personnel, and promote the localization of staff for a deeper understanding of the local market and contribute to social and economic development of local national and regional.

4.1.3 Case 2

The headquarters of ZTE Corporation is in Shenzhen, it was founded in 1985, it is the company to develop and produce the telecommunication equipment and terminals in Chinese mainland, it is the world's leading integrated telecommunications solutions provider, and it is the largest Chinese listed company which provides telecommunications equipment and the world's fourth largest mobile phone manufacturers. In 2000, ZTE reached 10 billion CNY sales volumes. ZTE provides innovative technology and products solutions for the worldwide telecom operators in more than 140 countries and territories through providing a full range of wireless, cable, the business, terminal products and professional telecommunication services, to meet the demand for differentiation of global different operators. ZTE sets up 107 branches in the world, 7 + 1 delivery centers, 14 training centers; Seven regional customer support centers, 45 local customer support centers; More than 10000 after-sales service personnel, more than 10000 local outsourcing partners, to ensure that for the global 140 countries (regions) of more than 500 operators to provide services; Representative offices in more than one hundred countries and regions in the world. ZTE adheres to the market-driven development model for independent innovation. From the development of an independent subject, distinct, scientific and standardized system of innovation, continuous R&D investment, ZTE get a series of major scientific and technological achievements in the field of technology development, and set up 14 research centers in the US, India, Sweden and China.

4.2 INTERVIEW DATA (CASE 1 VS. CASE 2)

According to our theoretical framework, we integrated interview data of the two companies with each entry barriers.

4.2.1 The reason of choosing Swedish market

In case 1, company entered the Swedish market and established the research and development center in 2000, it was the first research center in Europe as well as the first institution in Europe. Choosing the Swedish market based on the reasons that Sweden is the largest Silicon Valley in the world besides the US Silicon Valley, and there are high-end IT environment and talents. Traditionally, there has been Ericsson, Nokia and other equipment manufacturers surrounding in the mainstream, as well as large and small telecommunication companies are all here. It is very rich talent pool, including Sweden, throughout entire Nordic has the world's leading technology, they are very willing to accept new technology, and in the aspect of innovation ability is very strong.

“.....IT environment and talents are our important consideration.....”

The high-tech IT environment and talents were important reasons for the companies to set up research and development center in Sweden. Through the establishment of research and development center, they could develop their own research and development capabilities and team. Four years later, the company began to set up sales office in Sweden in 2004, the market began to expand, which was the first time to sold companies' products in Sweden. The company has done a good job in the domestic market, but for the new market, new customers still need time to know the company, and know their product sales and services of the company. The expansion was very difficult and slowly in the beginning.

In case 2, company officially entered the Swedish market in 2005, they established the offices in Stockholm. Ericsson as a leader of global communication company, has a great influence in the world. The 3G network was not popular when the company entered the Swedish market. But Ericsson's technology was very comprehensive, their base station network are all over the world including Africa, in this case, the company wanted to improve technology and competed with Ericsson at that time. Therefore, their Swedish headquarters was located in opposite to Ericsson, it can facilitate the communication with the partners of Ericsson, including all operates occupied by Ericsson in Swedish market.

“.....this is a strategic investment, it is a long-term planning.....”

Through occupying a certain market share in Sweden, selling good products and after-sales service, prompting the company by a set of brand effect at that time. Swedish representative office is called the Nordic Development Office, it is a branch expansion, including the five Nordic countries, UK and Poland. Due to the Swedish market has been comprehensive, the company did not earn much money. But the Swedish market must has to be occupied and be gotten market share for the company's concept of investment globalization, so the company could have persuasion to attract customers and could promote its products in other countries and other states more easily. The company has elite of R&D and marketing team to enter the Europe and the US market, and they have great job in product upgrade and standardization.

4.2.2 Cost

In case 1, Swedish market is ahead relatively than other market, technology-driven is very important in this market, and it is willing to receive the latest technology, and advocate on new technologies and services very much. In some other market, it would be more willing to accept low cost, and prefer to receive cheaper product, not high technology-driven products, furthermore, it need company to offer a service with high price advantage, but in Sweden, it more incline toward high technology-drive products. Swedish market is not sensitive to price very much as other market. Companies need to pay attention to technology and the ability of innovate, companies should have continuous innovation capabilities in the field of telecommunications, such as a realistic problem, intellectual property issues, if the company does not have their own intellectual property, or they do not pay attention to research and development, it would be very hard to keep going on in this industry, for example, once the company involves the important intellectual property, the company has to pay high royalties to other companies.

“.....drives customers to cooperate with us through high technology and low price.....”

The company controls the cost good. For example, the company chooses to produce different products in different place. The telecom product is complicated, company chooses to produce some components of the product in China, and buy some other components directly from European suppliers. Some products are assembled in China; some others are assembled in Europe, it is different decision for different product. The products in Sweden are mainly used in the wireless range, at the time of entering, company was late for entered the Swedish market, and the understanding of local customers to their products was very limited. Furthermore, the local customers such as operators already had the equipment from other company, how to persuade the

customers to replace other equipment instead of the company's equipment, this is hard and important. The company considered the customer as the center, the company considered how to maximize the interests of customers depending on their position, such as attracting the customers by high-tech products, but in Sweden, the number of customer is small, it is a sell based on good relationship, the customers not only buy a system, but also need to maintain the equipment, there are a lot of work need to do after changing the system, if they choose the previous supplier, it means that they do not need to change a lot and it can help them to save a lot of operating costs. Therefore, at the beginning of market expansion, the company used the low price strategy to attract the customers.

In case 2, the products are manufactured in China, the company has a good source of raw materials that could help to low cost, but in telecommunications industry, if customer need to replace the equipment, the whole set of equipment should be replaced. In this case, even the company has cost advantage, because the change is big, the switching cost is high. For gaining customers, the company needs to bear the cost. Such as the company wants to replace the equipment from Ericsson, they need to replace the complete equipment, and the cost of the entire project borne by the company, this is a big problem.

“.....cooperation with the customers in no profits or loss of profits.....”

The problem is that customers already satisfied with the existing model, why they choose you to replace the previous equipment? Usually, customers pay attention to the quality as well as price. The company has confidence on the same good quality comparing with local competitors, in the case, for gaining customers, the company need to offer cheaper products than competitors. Although the company has the advantage of Chinese low labor costs, the office is in European country, the cost of operation is not lower than the local competitors anymore, the company had to choose to loss some part of profit or no profit to attract customers, which is a strategic investment for long-term planning and social services. There has a large cost of the whole operation, and the company invested a lot of money in the early stage, the company has to wait at least 10 years to get the return back.

4.2.3 Economies of Scale

In case 1, the company has a lot of competitors, such as Ericsson, Nokia, Alcate-Lucent and so on. Because the company entered the market late relatively, these competitors have formed a certain market scale, customers in this market already have high recognition to those Western brands, conversely, customers knew Chinese brand little at that time. How to attract those customers, how to persuade them to change the previous products instead of using the company's products, it was

a big problem. For solving these problems, the company tried to focus on the requirement of customers. For considering the problem from the customers' position, the company tried to maximize customers' interests. For instance, the company tried to offer them a high tech and high quality products, and tried to save their operating cost, in this case, from their actual interests, the company tried to motivate them to cooperate with the company.

“.....competitors have a high degree of brand recognition with their scale in Swedish market.....”

In 2006 and 2007. The company started to use the first product USB-MODEL to cooperate with some big operators in the whole wide of Europe, including Sweden. Then, the company expanded products from some small core products to the wireless management services gradually, the company started to seek a partnership with customers in other European countries, first in Britain, with British Telecom, after that, in Spain, the company began to establish a partnership gradually. It will slowly radiate into the Swedish market through the company's cooperation with other customers; it will make Swedish customers to see what achievement the company get with other great co-operators in Europe, it will slowly affect Swedish customers, and they will start to interest the company, which is a gradual process.

In case 2, telecom is a global market, the most important enterprise which dominated the global market at that time was Ericsson, and it could greatly influence the global market. Mobile phone is not the main product of Ericsson, they choose to cooperate with Sony on the business of mobile phones. The telecommunication network is one of their main business, such as 3G and 4G network etc. Some big companies such as Apple and Samsung capture the main market share of mobile phone business in Sweden, the amount of market share is more than 90%, and the other 10% market share is captured by other companies. The small impact of their brands lead to no one taking care of the company's products. European brand are valued and high quality, for ordinary consumers, they like big brands with the stable quality.

“.....the high market share of competitors and their brand effect lead to no one take care of our products.....”

4.2.4 Capital Requirements

In case 1, because the company pays high attention to research and development, so they chose Swedish market. Because in Sweden, their technology and R&D capability is very high, so the company's Swedish R&D center focused on the R&D of wireless system. Company has 150,000 employees in the world, and about 50% of employees are engaged in research and development, the company will invest 10% of the yearly

sales profits into the research and development every year, no matter what happens. Although there is no much investment the company did in advertising in Swedish market, but company did other activates to promote their brand, such as the innovation contest, industry-academic cooperation with the, and the company keeps sustained investment into the field of research and development. The company became the leader of 3G networks product in the aspect of developing the industry standards after many years, and now they are working on system of 5G networks.

“.....whatever the case, the research and development investment of 10% profits on sales in every year.....”

In case 2, for gaining customers, the company beard the equipment replacement costs of customers, which requires a lot of capital investment. The company is an integrated enterprise, collective enterprise, the office deploy the capital from other branches in other countries or headquarters directly. Such as an equipment is ten million, the equipment is sent directly by the headquarters, and the expenses shall be borne by the headquarters, the Swedish office just need to focus on the market expansion, and do the good job of equipment in accordance with the requirement of the group and customers, the company will be late to recoup the cost of service.

“.....as a strategic investment, it is necessary to invest amounts of money in the early stage.....”

The company is equally focused on the research and development of products. They put 10% of sales profits into research and development, and the number of patent applications kept in the top three in recent years. And in 2001 and 2002, they even was the Top one in the application of patent, more than Erisson and Huawei.

4.2.5 Product differentiation

In case 1, the product standard is basically uniform in the field of telecommunications industry. If the products need to be adjusted, it is mainly based on the requirement of customers, for example, the Swedish operators have their own needs, and operators in other countries may have different needs. It depends on customers' circumstances and requirement, there usually are some differences between different customers, and company will customize different products to meet customer's needs. Customers didn't know the company, and they didn't recognize company's product, they didn't accept the company, to overcome this point, it was a very slow process, company had to get in touch and keep in touch with customer again and again. For gain market, company has been to do some market adjustment, not really modify the system, but adding function technology that specific customer interesting to have.

“.....European customers are pay more attention to the brand, especially emphasizing the stable and secure in the field of communications.....”

The company has more than 20 R&D centers around the world, there is more innovation centers as well. The context of each R&D centers established in different background. Such as, company chooses to R&D wireless networks in Sweden, choose to R&D microwave in Italy, each center R&D different technology. If company's customer has some special demand, company will try to know the demand by using customer survey, the company will try to find out what company's customers need and to see how to achieve it. If company cannot make it, company will try to find out what kind of research method can help customers achieve their goals, company will assign this task to all company's R&D center, and try to find out which R&D center could do it, what kind of part they can do and how they could do it.

In case 2, products need to promote in different countries, the company will conduct a unified design based on the situation of the Swedish market or the European market, and the company will have a prototype for testing when the equipment arrived, feedback immediately will be sent if there is any problem, and then the company will try to modify it. Different operators have different requirements, such as the company wants to sell products to Telia, the company has to go to Telia for testing, both sides should try to achieve a certain standard, it requires the company get the feedback and testing constantly, the final product will only be delivered after achieve the customers' satisfactory.

The company is good to cooperate with the operator, the equipment of 3G, 4G and part of 5G networks is provided by company, but the company needs to spend more time and energy on the general customer. Mobile phone's profits are very small, and the products are update very soon, the company update two or three generations of products in one year. And the market share of Apple, Samsung and some other big companies is more than 90%. The last 10% is captured another companies, the share of this company is very small. But the company's products are very popular and sell well in China, Africa and the US, the reason based on that company's products are cheaper than the native products (Apple) of US, it is affordable, and this part of the population in the US accounts for a large proportion. In China, the product sales in the countryside, two or three line cities are also very good, because the company's product price is lower than other similar product, its model is good, its signal reception is good and it is very stylish, and the products sell well on the bottom of the consumer in China. Operators' consumers in China are China Mobile and China Unicom, these companies have very original relationship with each other. The company is state-owned enterprises originally, and later became joint-stock companies, therefore, the company has a good relationship with these operators, including China Telecom. The company is more easily to enter base on the relationship when customer try to reselect supplier, company has high successful rate

when they choose system product, and they have a certain level of recognition to the company.

“.....Europeans are valued brand and quality, brand awareness is very important of our customer feedback.....”

It is a difference between Europe, the Europeans are valued brand and quality, and mobile phones are binding sales, the difference is not much, of course they choose the products of iPhone or Samsung. The feedback of distributors is also a brand awareness, when distributors are choosing to sell a product, they will choose to sell the easier one, it will have high profits, they will advocate good selling products when the same product in there. So far, few people know the company in Sweden.

4.2.6 Government Policy

In case 1, various aspects of the environment in Sweden are very mature and very transparent. Company operates itself in full compliance with Swedish laws and regulations, from finance to project delivery, even the human resources policies are used basing on the implementation of local laws and regulations, company fully complies with local regulations and customs, which is very necessary.

“.....I don't think there are some unique Swedish government policies bringing us trouble.....”

In case 2, the Swedish government is willing to invest in Sweden, and support for innovation industry. But company's products are manufactured in China, the products need to pass the customs transportation, and the Sweden has high customs tariffs. The product needs to increase the fee to sell, the consumers will see a high price with the company's quotation, so the company need to save these costs in other places. For tariffs, company will transfer the products via a third country, try not to do the customs clearance from Sweden, for example, enter the customs from the Netherlands, and then transported from the Netherlands to Sweden, it is better within Europe.

“.....we choose to enter the customs from other countries in order to save tariffs.....”

4.2.7 Access to distribution channels

In case 1, for the company's products, company currently have three operations in Sweden, a traditional operators market, the consumer market, such as mobile phones and other terminals, an enterprise network market. For operators market, it is B2B

business, company cooperate with operators directly, for consumer and enterprise network market, the company have some channels, such as the use of the end product channel outlets to sell products, company think it is better than the company opens a shop directly.

“.....we entered the Swedish market through three common distribution channels.....”

In case 2, the Swedish customers are divided into two aspects, one is the terminal part, mainly is the mobile phone business. In the face of ordinary consumers, consumers prefer to big brands, the quality of big brands is very stable, so it's very difficult in this part of the market for the company. Another is the base station part, is the system market, this market as long as the company can convince operators, so that they are willing to adopt the price and quality of company's products, operators are very profitable. On the one hand, they will save a lot of money on equipment. On the other hand, they earn telephone charges and traffic charges from ordinary customers. As long as the company can give them a good profit margin, in terms of quality but also the assurance that they would be willing to choose and replace, this is not a problem for operators, much international equipment can be docking at present, and the replacement of equipment is also very easy, only need to upgrade the original basis, so for operators is that they value quality and price.

“.....we chose the operators and distributors to enter the Swedish market.....”

4.2.8 Increased advertising and sales promotion

In case 1, the company need to enhance the relative brand awareness further. It is not for the whole market, because the company already has a good reputation in system product, company need to increase its brand awareness mainly in the consumer market. For mobile phone, comparing with Apple and Samsung, the market share of the company in the field of consumer needs to be increased. The end customers in Sweden don't know company's brand very well, in this case, there is a need to develop every single place for it in the company.

“.....company need to improve its brand awareness mainly in consumer market.....”

For example, the terminal market, companies are doing ongoing investment to it, including some basic marketing strategy, local promotional activities. But you cannot see the outcome immediately. In order to see the change and improvement, company has to put a long-term sustained investment to build a brand. Company pay attention and spend about three years to promote the consumer product. After two or three years investment, company has seen some changes, but Swedish customers are not

particularly sensitive to the price of the product, customers are high loyalty to Apple and Samsung, process to increase brand awareness is relatively slow. But in other European countries, including Asian countries, the brand of the company has been accepted. It is a gradual process. Company take many activities in marketing, such as advertising, do some invent, in Sweden, we have a company's Facebook page, there will be some regular activities hold by company and people could participate it, it belongs to some kinds of social media. This year, company will hold local educational funded project in Sweden and company will select ten best students in the ICT field to visit China, this project just started, company will have a lot of various other events and activities to promote their brand. It can be flexibly changed according to local circumstances.

In case 2, the European market is too mature, there is not many customers noticing the company's products. It requires a lot of people to conquer this market and operators, implanted into the company's products slowly. Especially in ordinary consumers market, the reason based on that company do not invest heavily in advertising like Samsung, actually the cost of mobile phone is the same, but the selling price of Samsung are much more than the company's sale price, it is close to double which is comes from advertising. In the face of European market, the company has after-sales team for each customer's feedback in European market, the company has a great update on the product, has a good quality according to the requirements of them, and make a low return rate, such as, training operators and distributors for company's products, allowing them to know more about company's products, providing them with more rebates. So they can mainly promote the company's products, and they can allow the customers know more about the company's products, and then the using satisfaction will increase. Therefore, we took 10 years to bedding, to let more people know and understand the company.

".....Swedish market is too mature, we need to enhance our brand recognition, especially in the ordinary consumer market....."

Company chose to cooperate with the NBA for a lot of advertising of competitors in the consumer market, because they focus on the spirit of global brand from the representation of NBA brand with great passion, especially it has a strong influence in the two main market of mobile phone. Through the technology of the company, more fans can feel the NBA with the handheld passion anytime and anywhere. On the other hand, because of the popularity of the NBA, there is an opportunities to allow users to learn more about company's mobile phone, improve the company's brand image in the minds of consumers.

4.2.9 Price competition

In case 1, company's customers need time to have brand and product awareness. It not only happens when company first entered the Swedish market, the European market, but also happened when company entered the international market. Because, the local customers did not know the company a lot, and in addition that company is Chinese company, they probably have an inherent ideology that China's product is low price with poor quality.

“.....it would be a huge challenge for Chinese Company to reverse this prejudice of low price with poor quality.....”

In case 2, company launched two flagship phones especially for the Swedish ordinary consumers according to their high requirement of products' technology, in order to develop high-end mobile phone market in the Nordic in the future. Although the total capacity of Nordic market is not significant, it has strong spending power and high requirements of products for consumers. Currently, Apple and Samsung product are occupying the main market share with their brands in the Nordic mobile market, it has a big challenge for other brands to increase sales and brand awareness in this market. But this situation accords with the company's strategic transformation of low-end mobile phone to high-end mobile phone, and the strategy could help the company to expand the Nordic market with a mobile phone product structure transformation in the future.

“.....through the strategic transformation of mobile phone products to satisfy the consumers in the Nordic market.....”

5 EMPIRICAL ANALYSIS

This chapter provides our analysis of two cases, combines with our theoretical framework and empirical data, and inspects and summarizes the analysis of previous studies to obtain a conclusion.

It can be known from the answers of interviewees that case 1 established the Swedish R&D center in 2000, and case 2 established the Swedish office in 2005. At that time when case 1 and case 2 entered into Sweden, the main existing competitors in Swedish market were some strong Nordic companies with high technology such as Ericsson and Nokia. The Ericsson is a Swedish local company which was established in 1876, it was the third company who own the most market share of world about GSM products in the late 1990s. Nokia is a Finnish company which was established in 1865, and in 2005, the yearly sales of mobile phone of Nokia was the number one of the world. Furthermore, the location where Ericsson headquarters is names Kista, which is called the European Silicon Valley, it is the world leading business and research within the digital realm. In this case, for the industry that these two cases are in the Swedish market was already mature when these two cases company entered, the capability of the R&D was very strong, and the technology in Swedish market was already leading in the world at that time, the local market was dominated by these strong competitors. Therefore, the supplier channels, distribution channels and patented technology were all mature, these incumbents all can gain cost advantage. Comparing with that situation, case 1 was established in 1987, case 2 was established in 1985, they started the business very late relatively.

5.1 COST

Porter (1998) says that the cost competition could determine the height of barriers. And according to many research, there are two main aspects of cost could influence the barriers, the situation of these two cases will be analyzed below:

5.1.1 Cost disadvantage

As mentioned before, incumbents may have a cost advantage of each unit product because of economies of scale, it could force the entrant to low its cost or achieve the scale effects to compete with incumbents (Pehrsson, 2009). And there are some factors could result in the cost disadvantage of entrants such as patented technology,

experience curve, and favourable locations (Porter, 1998). For these two cases, there are three aspects could be analyzed below:

First, about economies of scale. These two companies of cases were leading companies in China before entry Swedish market. Case 1 had 1.5 billion CNY sale volumes in 1995 in China. Case 2 had 10 billion CNY sale volumes in 2000 in the world. They gained big amount of Chinese market share in that time. In this case, although they were not as big as these Swedish competitors, they already had certain economic scales and enough experience. About the unit cost of products, these two Chinese companies have always chosen to purchase the raw materials and produced the products and components mainly in Chinese factories since the establishment of companies. *“Our main production is in China, because we are Chinese enterprises and Chinese low labor costs.”* Although for case 1, they started to assemble some products in Europe and other countries according to the different types of products and different markets after they developed their business. *“We chooses to produce some components of the product in China, we choose to buy some other components directly from European suppliers, some products are assembled in China, some are assembled in Europe, and it is different decision for different products.”* It was considered to decline the cost. About their Swedish competitors such as Ericsson and Nokia, Ericsson established company in China in 1994, Nokia had their own factory in China in the mid of 1990s. They all purchased raw materials from China as well since late of 1990s. China became one of three Ericsson's global product supply in 2002. Nokia purchased over 35 billion CNY from China in 2006. You can see that they all chose to produce a product in China. However, these two cases are Chinese local companies, Swedish competitors are foreign companies in China. Because of many reasons such as low labor costs, low raw material price and low administration cost, the unit cost of the Chinese companies' product are lower than Swedish competitors.

Second, one of the sales strategies of these two Chinese companies was low price sales. *“Compared with other competitors, the prices of our products are not high.”* Conversely, the Swedish competitors targeted the high-end market or high technology market, consequentially, and the sale price of these two Chinese companies was lower than Swedish competitors in Sweden. But case 2 mentioned that, although their unit cost of products in China was lower than their European competitors, but when delivered it to Europe, because of the tariffs and transport costs, the final cost of products to Europe were almost the same as the European competitors. In addition, the Swedish competitors already had economies of scale, they already had gained most of market share in Sweden and had long good relationship with customers, for gaining new customers and bigger market share, case 2 had to lower their sales price which result in low profit or non-profit. Therefore, from this side it can be said that incumbents had the cost advantage because of scales economies that force new

entrants to choose to lost profit to enter which will be discussed deeper in switch cost part.

Third, about the proprietary technology and favourable locations. As mentioned before, patented technology is one of the most important key to develop companies' products and dominate the market in the telecommunications industry (Hargreaves, 2001), therefore, every telecommunications company need to invest big amount of capital in R&D to the pace of technological change. According to the content of the interview, these two Chinese companies invest a big number of money into R&D, and when they entered the Swedish market, they have already stood in this industry for a long time, they all have their own core patented technologies for their products. They do not need to pay much money for other companies' patented technologies. And their location of Swedish office are all in Kista, as we mentioned, Kista is a world leading business and research digital realm, and Ericsson headquarter is in this place as well. In this case, it can be said a good place for these two Chinese company that they could easily contact with sophisticated technology and talent.

5.1.2 Switching cost

Many researchers indicated that customers may take account of the switch cost as a very important factor when they make a purchase decision (Porter, 1998; Pehrsson, 2009). This point was confirmed by our interviewees.

Case 1 and case 2 mentioned that they have two main types of products in Swedish market. One is the product for operators which are the biggest business in Sweden, and one is the product for individual consumers. About the product for individual consumers, there was no big problem about switch cost. But about the product for operators, the situation is different, since the products for operators can work for a long time. *"Probably about seven years for some products"* interviewee of case 1 said, in this case, once customers want to change it, comparing with the old suppliers, they need more cost to change it from new suppliers. Such as, about employee training, because it is a new type of product, the technology is different with old one, customers need to train their technical staff about the technology how to maintain the new products, they need to change some accessories as well when they do not to change it, if they purchase products from old suppliers, and they need to debug function of new products again. It is a big switch cost for customers that they do not want to change suppliers randomly, therefore, it is indeed barriers for a new entrant to access new customers in telecommunication industry. However, there is one solution for this barrier offered by case 2. At the beginning of cooperation with new customers, in order to grab this new customer, the company of case 2 choose to offer customers a better price so that the customer does not need to bear this switch cost, case 2 is

willing to assume it. This is equivalent to reducing their profits and increasing the cost of their products which are consistent with the theory of cost disadvantage as well.

Summary: You can find from the above analysis that the cost disadvantage is not a big barrier for Chinese telecommunication companies in Swedish market, the switch cost is the main barrier for them when they seek new customers. However, they took a solution for this barrier which base on a strong financial support from their Chinese headquarters, for this reason, it is not a primary barrier for a big Chinese company when enter a new market.

5.2 ECONOMIES OF SCALE

As mentioned in theory part, Porter (1998) says that the scale economies of incumbents could form the cost disadvantage of new entrants. In addition, barriers made by incumbents' economies of scale could act in marketing, sales distribution, utilization of the sales force, and nearly any other part of the business to deter new entrants. When a new entrant wants to enter a new market, the incumbents will force the new entrant to decline their sales price to catch the new customers by using cost advantage, and then the entrants would be stopped because of low-profit or no-profit. This theory is consistent with the situation of these two cases, which will be analyzed below. Furthermore, Pehrsson (2009) indicates that economies of scale and cost disadvantage is interaction, it can be proved clearly in the analysis part of the cost.

As mentioned before, these two Chinese companies have two main types of products in Sweden when entered Swedish market, one was a product for operators such as internet device, and another was product for individual customers such as mobile phone. The situation of this two types of products about economies of scale was different as well.

First, about the products for the operators. You can see in the analysis of cost part, the difference of cost of unit product between these two Chinese companies and Swedish incumbents was not big. In addition, interviewees of two cases said that in Swedish market, some parts of products have to be adjusted according to the different requirements of operators. It is kind of customized products, the core advantage of products is a high technology, the customers are not sensitive to the price of telecom products as much as the price of normal consuming products, customers would talk about the price on the basis of qualified technology, different levels of products' technology is one of the critical factors that customers think about when make the purchase decision, therefore, lowering sale price of products is not the main strategy of Swedish incumbents to compete with new entrants. So, there was not big influence of cost disadvantage to these two Chinese companies. But because of the economics

of scale, the incumbents such as Ericsson who has existed in Swedish market for a long time, they have mature sales channels, they already have occupied most of the market share, they have a good relationship with customers, customers already used their product for a period. This could be a barrier to a new entrant to access to new customers and new sales distribution, as analyzed in switch cost part. Furthermore, because of the economics of scale, incumbents already built their brand successfully at that time, local customers already had high awareness of incumbents' brand, and incumbents could benefit from their brands. Therefore, incumbents could make a higher price than non-brand companies because of brands benefits, and customers tended to choose the famous brand products than non-brand products. Because customers think it is a risk to choose a new brand, which is just proved the theory of McAfee et al. (2004) that customers may be loyal to an existing brand, they think the old one have less risk than trying a new one. The brand loyalty may affect the speed of the company's market entry and gain profits, it also has a great impact on enterprises to enter new markets.

Second, about the products for individual customers, the situation in aspects of cost disadvantage, sales distribution and brand loyalty were the similar with the product for operators. For cost disadvantage, although some incumbents are strong international companies which captured majority sales share of the global market, but these two Chinese companies were two biggest Chinese companies as well when they entered Swedish market. At the same time, these two Chinese companies were targeted to the low-end market, their target market and customer segment was different with these incumbents, their sale price was lower than incumbents, in addition, the sales price of incumbents would not be changed randomly to compete with these two Chinese companies, so it would not affect much to the big Chinese companies as these two case on this aspect. For sales distribution, the local distributors already build the relationship with incumbents, entrants hard to access to these distributors. For brand loyalty, at that time, it was the same situation with the products for the operators, customers had high loyalty to a famous brand, they thought it would risk choosing a brand that they are not familiar, and so it was a barrier to these two Chinese companies. But it was a different situation of switch cost between products for individual customers and operators, because there is not switch cost in product of individual customers as big as in products of operators. Individual customers choose the products according to sales price as well as quality, they do not need extra cost in aspects such as technical training, consequently, and it would not be a barrier for the big Chinese companies when they enter a new market of Sweden.

Summary: You can find from the above analysis that the economies of scale could not be a barrier on the aspect of cost disadvantage for these two Chinese companies, but it indeed formed a barrier for all the product of these two Chinese companies in the aspects of distribution and brand loyalty, furthermore, it was a barrier in aspect of switch cost of products for operators.

5.3 CAPITAL REQUIREMENTS

As you remember in the theoretical framework, when a new entrant enters the markets without a certain amount of financial resources, it is not feasible, there will be some risks (Porter, 1998), especially in the early of new market entry. There are many aspects need financial support, such as R&D (Porter, 1998; Schmalensee, 1983), adaptation to a local market (Pehrsson, 2004), or brand promotion (Porter, 1998).

About these two cases, according to the information of interview, these two Chinese companies needed big amount of capital to enter Swedish market as well. These two Chinese companies needed capital to establish and operate the office or R&D center. Furthermore, the industry has a high requirement to the capacity of R&D, as mentioned in interviews that one of the reasons that they chose Swedish market is the high-technology and high-talent environment, in order to keep up with the pace of technological innovation, they needed to invest capital to R&D technology persistently, case 1 mentioned that they keep investing their yearly 10 percent sales profit into R&D continuously every year that was the same situation as Porter (1998) says. And, like case 2, when companies wanted to strive for new customers, as mentioned in cost switch part, they needed capital to support the solution of cost switch problems which were the same situation as Pehrsson (2004) says. These two companies are international companies, they made advertising strategy for a global market by Chinese headquarters, it could affect the Swedish market as well, besides it, for expanding brand awareness in Sweden, they also launched a number of activities, such as cooperated with Swedish school and trained the technical personnel together, which was the same with point of Porter (1998) that they needed capital for it as well.

Summary: The capital of these two company's Swedish office and R&D center were all invested from Chinese headquarters. As global companies, these two companies willing to support them to the Swedish market by using their global resources. In this case, these two companies had no problems in an aspect of capital requirements.

5.4 PRODUCT DIFFERENTIATION

Gable et al. (1995) mentioned that the product differentiation reflected in the products of technology and service differentiation. Product differentiation (Pehrsson, 2004; Schlegelmilch and Ambos, 2004; Porter, 1998) is one of the factors that company foster brand identification and gain large market share. New entrants have to make extra outlays and some activities overcome customers' loyalty, such as extra outlays

of advertising and customer service which could be used to offset the brand benefit of incumbent (Porter, 1998; Caves and Porter, 1977).

In Swedish market, there were two main kinds of product in the telecommunications industry, one was product for operators, and one was product for individual customers. As we mentioned above, these two Chinese companies all covered these two types of products.

First of all, about the products for operators, the interviewees mentioned that the difference of products for the operators were not big except the customized parts. The biggest challenge was whether the technology of products could meet the requirement of customers, and companies need to R&D the technology and updated the products constantly. When these two companies entered the Swedish market, their technology of products was lower than the technology of incumbents' products. Therefore, as we mentioned before, these two Chinese companies all located their office and R&D center into the Kista and invested huge money and human resource in aspect of R&D, in order to study the leading technology and attract the high-talents, and it could help these companies to develop themselves. This was also one of the reason chose Sweden. After few years, these companies all developed themselves and applied for many patents during those years. However, because the brand awareness of these two companies was not high as their Swedish rivals, and because the reasons about the brand awareness and customer loyalty mentioned in economies of scales, these two Chinese companies met barriers in this two aspects.

Second, about the products for individual products such as mobile phone, the situation was that there were some difference of application system, it could lead to brand identification between different brands, but because the difference was not big, it was a main problem. At that time, Incumbents already had occupied the Swedish market share over 90 percent, and as we mentioned before, some of these main rivals aimed to high-end products and market. For these two Chinese companies, they aimed to low-end market, low cost was one of their core advantages, but for Swedish market, the capacity of customers' consumption is relatively high, they paid more attention to leading high technology than price, the customers were relatively low sensitive to price. Therefore, these two companies realized that, comparing with the Swedish rivals' strategy of market positioning, Swedish rivals' strategy were more suitable for Swedish market than Chinese companies' strategy. The low-price strategy of Chinese companies did not work. Furthermore, at the beginning of the market entry to Swedish market, the local customers were high loyal to incumbents' brand, they did not know much about these two Chinese companies and their brand, in addition, these two Chinese companies took low-price strategy, because of thought that Chinese products were all low price with bad quality, local customers thought that these Chinese brands were not good, they were not interested in the products of these Chinese companies.

Summary: For these two Chinese companies, we can see that brand awareness and customer loyalty were big barriers to them, how to overcome these barriers were big challenge to them.

5.5 GOVERNMENT POLICY

According to some existing theories, government policy could be a big barrier in some industries, for example, the new entrants need some special licenses or permission in some industries such as mineral exploitation or some environmental projects (Porter, 1998), government policy will influence some differentiation of incumbents (Russo, 2001; et al.), or tariff in different countries could be a barrier, and for telecommunication industry, the policy of patent could be different.

First, according to the information of interviews, for the telecommunication industry, interviewees of two cases all said that there was not big difference of government policy about establishing a new office, company or R&D center in Sweden, they all set up their R&D center or office smoothly.

Second, the interviewees all said that, at the time they entered Swedish market, the governmental standard of products in Sweden was the same with other European countries, and there was not big different with other countries of the world. Therefore, there was no need to adjust their products much according to different market and different country. Furthermore, for the kind of an international company of this two cases, their products were designed for the global market, these products could meet the requirement of the international market greatly, they only needed to be adjusted according to customers own special requirement as we mentioned in switch cost part. So there was no big problem about their basic product when enter a new market. On the contrary, Sweden, a realm of leading technology of telecommunication, the government paid highly attention to the business of this field. The government not only reduced the restrictive policy, but also supported the foreign telecommunication companies to set up new company in Sweden or cooperate with Swedish local company (VINNOVA, 2010). And there was no special policy about patent, in addition, these two companies paid high attention to R&D, and they applied for patents actively in worldwide, and they cooperated with many industry standards organizations. For example, case 1 cooperated many industry standards organizations like 3GPP, IETF, BBF, ETSI and so on, so the patent barrier was not their problems.

Third, according to the answer from case 2, the only barrier about policy they thought was customs tariff, because the customers' tariff of Sweden is usually pretty high which increased the cost of the product accordingly. As being discussed the cost

disadvantage, it could influence the sales of the product in Sweden and so on. In this case, for solving this problem, these two companies chose to do customs clearance from a third country so that it could reduce the tariff cost.

Summary: After all, there was no big barrier when Chinese company entered the Swedish market in the aspect of government policy.

5.6 ACCESS TO DISTRIBUTION CHANNELS

Pehrsson (2004) says that access to distribution channels could be a barrier to entrant, because available channels might to be controlled by incumbents. Porter (1998) says that good logistical activities could help the company to gain competitive advantage by reducing transportation cost or providing good service to consumers.

For these two cases, as mentioned before, when they were going to enter the market, they focused on two main kinds of products, and the situation about distribution channels of these two different products was different.

About the products for operators, according to the answers of interviewees, it was belonged to B2B business, it meant that the manufacturer sold the products to target operators directly without any intermediary such as wholesalers or retailers, in this case, there were no any distribution channels at that time. Companies need to get in touch with customers directly by themselves, they could choose to attract their target customers by using their own sales strategies like product advantage.

About the products for individual customers, according to the answers of interviewees, the products belonged to B2C business. At that time, there were two types of dominating distribution channels of main in Sweden, one was to sell the products in a regular chain like retail store, another was to cooperate with the local operators such as Teliasonera or Tele2, selling a product with the telecommunications network services. Interviewees said that, at the beginning of the entry, the primary products were products for the operator. Such as system, they did not pay much attention to the individual products, and there were some barriers to them about individual products as we analyzed in part of cost and economies of scales. But because of the products for Swedish operators, the relationship with the Swedish operators kept developing, then these two companies realized that they had more and more opportunities to cooperate these local operators and could make these operators be their distributors as well. For this reason, they started to try to have more distribution channels for individual products by cooperating with operators.

Summary: As can be seen above, about the products for the operators, there was no big barrier, about the products for the individual customers, although incumbents captured the distribution channels, which lead to these two Chinese companies had some problems to get them at the beginning of entry, entrants still could find effective solution to solve it by cooperating with operators.

5.7 ENDOGENOUS BARRIERS

As explained before, the strategy of entrants could affect the reaction of incumbents (Pehrsson, 2009). When the entrants enter a market, the incumbents in the local market will use some strategy to create continuous barriers such as increasing advertising, sales promotion or even price competition (Demsetz, 1982; Simon, 2005; et al.).

According to the interviews and information from their official website, when these two Chinese companies entered Swedish market, they mainly took the strategies such as low-price sales strategy and customized products strategy on products for operators and low-price strategy on products for individual products. Besides those strategies, they all also took some activities to build their brand awareness.

5.7.1 Increased advertising and sales promotion

When these Chinese companies tried to enter Swedish market, the local customers did not know much about their brand and products. In order to build a brand awareness and gain market share, these two cases did sustain investment in this market, spend years to promote their consumer products, strengthen after-sales service. For these entrants' strategy, incumbents took some activities to tackle as well. First, in the consumer market, local incumbents cooperated with operators and introduced more attractive products with service package to customers, which corresponded with the theory that it helped existing retailers indirectly to increase the cost of entry to a potential competitor, and it enhanced the degree of incumbents' product and service differentiation, so that the customers tended to choose the products of incumbents, which enhanced the customer loyalty and brand awareness as well. Second, in operators market, incumbents worked actively to strengthen the R&D, strengthened the core competitiveness of technology and improved the attractiveness of high-tech products to customers, furthermore, they strengthened the relationships with customers, enhance the customer loyalty, which reduced the willingness of customers to switch the suppliers. Furthermore, Incumbents protected their own patent right by using a legal method. Third, incumbents increased advertising spending to offset the building of entrants' brand awareness to local customers.

5.7.2 Price competition

Two of the core advantages of these two Chinese were cases companies' low-price and high- customized capacity. When they entered the Swedish market, they took strategy according to these core advantages, they offered low price to customers, and customized the products according to requirements of customers. For these situations, incumbents did not tackle it by using price fight. About the products for operators, as mentioned above, incumbents used the high-technology strategy to attract customers. At the beginning of entrant's entry, it might cause some problems for entrants to gain new customers for a while, but with the development the entrants' technology, it would be solved with the low-price strategy. About the consumer market, since the brand positioning and market positioning of incumbents were different with entrants, as we mentioned before, incumbents did not deal with it by declining the price directly, in this case, it did not cause problems in price competition.

Summary: As you can see above, there were not big problem except the building the brand awareness and customer's loyalty. For the technology, these two companies did sustain investment in R&D, for patent, they could protect them by lawsuit as well, for the price, they already had an advantage. And for the market, these two companies had already noticed about wrong market and brand positioning, they said that they would adjust the products for local market and try to offer the high-quality and high-technology products to Sweden specially. But for building the brand awareness and customer's loyalty, they said that it would be a very big challenge and need long-term efforts to overcome it.

6 CONCLUSION, DISCUSSION AND IMPLICATIONS

This chapter provides our conclusion of our study, answers our research questions, and discusses in depth the results of our analysis. As well as some limitations of our study need to be considered, and offers some advices for future research based on these limitations.

6.1 CONCLUSION

Table 3 below showed the conclusion of our empirical analysis and answered our research questions. We classified the barriers as high-level and low-level as we mentioned in the method part. It can clearly see the results of our analysis, and help us the following discussion.

Category			Aspects	Case 1	Solutions	Case 2	Solutions
Exogenous	Cost	Cost disadvantage	Proprietary technology	Low	Patent applications in the top three	Low	Patent applications in the top three
			Scale affects	Low	Existing scale	Low	Existing scale
			Learning or experience curve	Low	Recruit local IT personnel	Low	The experience of other European countries
			Favourable locations	Low	Located in the European Silicon Valley - Kista	Low	Located opposite the Ericsson
		Switching cost	Employee training	High	Support customers' switching cost	High	Support customers' switching cost
			New equipment	High		High	
			Technical support	High		High	
		Economies of scale	Cost	Low	Cheap labor force	Low	Cheap labor force
			Sales distribution	High	Customerized Products	High	Strengthen user experience and after-sales service
			Brand loyalty	High		High	
	Capital requirements		Advertising	Low	Capital from headquarters	Low	Capital from headquarters
			R&D	Low		Low	
			Adapt local market	Low		Low	

	Product differentiation	R&D	Low	Invest 10% of the profits in R&D	Low	Invest 10% of the profits in R&D
		Brand awareness	High	Increased sales promotion	High	Push-off flagship product of Sweden
		Customer loyalty	High		High	
	Government policy	Customs tariff	Low	Through the third country inbound customs	Low	Through the third country inbound customs
		License	Low		Low	
		Patent	Low		Low	
	Access to distribution channels	Channels of wholesalers and retails	Low	More contact with customers	Low	More contact with customers
		Logistics	Low	Cheap way to logistics	Low	Cheap way to logistics
Endogenous	Increased advertising and sales promotion	Brand loyalty	High	Cooperated with European University; Organized competitions	High	Cooperated with NBA
		Product differentiation	High		High	
	Price competition	Cost advantage	Low	Cheap labor force	Low	Cheap labor force

Table 3. The entry barriers of two cases and their solutions

Finally, back to the research question we presented in the introduction part:

What are the main barriers when Chinese Telecommunication Company enters Swedish market?

According to our analysis, to sum up, the question could be answered easily that the main barriers when Chinese telecommunication companies enter Swedish market are switching cost, brand awareness and customers' loyalty.

Furthermore, according to our analysis and the experience of these two Chinese companies that you can see in the parts of analysis and empirical data, we offer some suggestions that could help to overcome these barriers as below.

1. Pay high attentions to the R&D, because the technology of a product is the core advantage in a telecommunications industry, it will help to long-terms development of the company. Such as, invest in R&D persistently, and locate the R&D department in the place where are leading to the technology or centralizing the high-tech talent.
2. Could choose to afford part of switching cost at the beginning of the cooperation with new customers. It would help to gain customers easier.
3. Strengthen user experience and after-sales service, it could help to gain customers loyalty.

4. Prepare for long-terms efforts to build brand awareness, invest into advertising and sales promotions, it would help to increase the brand awareness.

After getting the answers of research question, we will discuss the answers in depth in the next chapter, such as, if it could be main barriers for the companies in other situations.

6.2 DISCUSSION

As you can see in table 3, there were many types of barriers existing when these two Chinese telecommunications companies entered Swedish market. Among these barriers, some were very important and big challenges for these new entrants, but some were low barriers that these Chinese companies could overcome it easily by using some strategies.

First of all, about the aspect of cost disadvantage. Generally in previous literatures, we found that new entrants often have cost disadvantage as a big barrier (Pehrsson, 2009; Gable et al., 1995; Porter, 1998; et al.). This is because most of these literatures about market entry just discussed the situation that western companies enter new markets, specifically enter markets in developing countries. This is why the cost disadvantage is so obvious when companies from high-wage countries enter the markets in low-wage countries. In our study, we entered a field that there are not so much research have been done, which is where a company from a low-wage country enter a market in high-wage country. In our study, we researched that companies from a low-wage country entered a market in a high-wage country. The cost disadvantage was there for not obvious. In this way, it could also be generalized that any company from low-wage countries would not see the cost disadvantage as a big barrier like the way that it was described in previous literatures. Below is further discussion to explain why cost disadvantage was not a big barrier when these two companies entered Swedish market.

As we mentioned above, it is the situation that these two companies are from low-wage country entered a high-wage country's market, the production of these companies were mainly in China, and their home base was in China as well. China is a low-cost country, so it can generally think that Chinese companies have cost advantage when they enter European countries that are relatively high-cost country. Furthermore, these two Chinese companies located their Swedish office and R&D center in Kista, which can be same easy to get the newest information of technology and talents comparing with their Swedish rivals. In this case, even if their Swedish

competitors produced products in China, it can be said that these two Chinese companies had a favourable location. The situation would be different if an entrant from a high-cost country wants to enter a market in a high-cost country or a low-cost country, or if a company from low-cost country wants to enter a low-cost country. For example, a German company or American company wants to enter Swedish market, or a Chinese company wants to enter Indian market, the cost disadvantage could be obvious. If a company locates its office in some countries such as Vietnam, although this company can get low cost, it is unable to access the latest information in time, this could affect its competitiveness. In addition, these two companies had already been big international companies when they were going to enter Sweden market. They already had rich experiences in production and their economies of scale were big enough, so they can achieve the cost advantage to some extent, and their own technology could support themselves well, so they did not face the barriers caused by proprietary technology. If the entrant is a small company, the situation could be different. A small company probably does not have enough technology to support its products, so it probably has to buy technology from others, and its economies of scale are not big enough, so it would probably buy raw materials in a higher price and waste more raw materials just because it lack enough experience. All these factors would result in higher cost.

Second, Pehrsson (2009) indicated that economies of scale and cost is interaction, in our cases, the situation is the same, therefore, we will discuss the aspects of switching cost, economies of scale and access to distribution channels together. After study, we found that customers' switching cost and incumbents' economies of scales can constitute big barriers when an entrant enters a mature market to compete with strong local brands. This is because, for example in our cases, when these two Chinese telecommunications companies enter Swedish market. Swedish market was mature that incumbents already had captured most of local customers for a long time, and local customers had high requirement about products. Furthermore, some of these local rivals were world-leading companies and their home bases were in Sweden. Combining these two reasons and you can see, local rivals had very strong capability of R&D and high-technology products which can highly meet the requirement of customers, and their economies of scale were very big that helped them to capture mature sales channels and had very good long-term relationship with local customers, these factors resulted in their high customer loyalty and high brand awareness in the local market. Especially for operators, because they already used the products of incumbents, customers would not be willing to change the suppliers randomly because of big switching cost. Conversely, the technology and capability of R&D of Chinese companies were weaker than local competitors at that time, furthermore, local customers know little about Chinese brands and products, these factors made it

harder to motivate the local operators to change the suppliers and gain individual customers. In this way, we could say as well that, because the local sales distributions were captured by very strong local rivals, it was harder to get the access to distribution channels. The situation would be different if an entrant enters a country without any local brand and any home base of big leading companies or a new market when the industry is just emerging. For example, the customers do not have long relationship with previous suppliers that they could accept new suppliers easier, and customers do not need to consider about the switching cost a lot when they choose new suppliers.

Third, about the production differentiation, we found that it was a big barrier when these two Chinese telecommunications companies entered Swedish market. Actually, we found that the difference of quality or application between the Chinese products and Local incumbents' products were not the main reason to cause the barrier, since the difference was not big. The barrier was caused by another two main reasons. One is that, as we mention above, the brand awareness and customers' loyalty of local customers to incumbents was very high, on the contrary, the brand of these two Chinese companies was known little in Swedish market. Another reason is that the strong cooperation between rivals and local operators, they took some sales promotion together that attract customers greatly, such as they launched products with cost-effective services that were offered by local operators. These activities could enhance the degree of incumbents' products and service differentiation, which could attract the customers and enhance the incumbents' customer loyalty and brand awareness of customers. Above reasons can also explain about the endogenous factors that why incumbents increase advertising and sales promotion could cause the barrier. Therefore, we can say that brand awareness and customer loyalty could be big barriers again when a company with unknown brand to compete with strong local brand. This finding is consistent with previous literatures. It was a big challenge to new entrants. Just like we said, it needs long-term efforts to overcome it. It would not be a barrier if it is a world famous brand enter a market, or the entrant enter a market without any famous local brand product, for example, the companies Apple, it is a brand famous enough that customers could accept their products easier, or if entrants choose to enter other market that there is no strong local brand, such as Poland or some countries in Africa, they probably could be easier to be accepted.

Fourth, about capital requirements and government policy, they were not big barriers in our cases. As we mentioned in introduction, one of the main reason for this is that the Chinese government and Swedish government support this industry very much and try to encourage the cooperation with each other. In this case, the companies could get different types of support from government to enter a new market, such as, getting a loan more easily from bank or government funding when they need big

investment in R&D, or there is no specific government policy forbidding new entrants from other countries. This is different with the finding of previous literatures as well, because most of previous literatures studied the companies which do not get support from government, they enter a new market by using their own resources. For example, companies from American, there is no special policy to support them enter new overseas market, in this case, they need to get the loan from bank by using their own resource. In addition, in some countries that their government does want to protect their local companies from overseas competitors, in this case, they would publish the policy such as increasing the customs tariff or tax revenue to oppose to overseas competitors. Furthermore, about capital requirement, another reason is that these two Chinese companies were big companies, as consideration international strategy, their headquarters could support their branches in this market greatly. If it is a small telecommunication company which wants to enter Swedish market, it will be a big barrier, because Sweden is a high-cost country not only in production but also in administration and tax revenue, and in the telecommunications industry, it needs sustained investment in R&D, if a small company does not have enough money, it will be very hard for them. And it can be generally said that capital requirement could be big barrier when a small company enter a high-wage country.

Finally, for overcome these barriers, these two companies took some strategies. For switching cost, as we mentioned before, it was really hard to persuade Swedish customers to change suppliers, it need a good reason to motivate them. In this case, these two companies all chose to take low-price strategy and supported the customer on many aspects such as training employees, technical support, customizing products for customers, and so on, and for building brand awareness and customer loyalty, they invested in advertising unremittingly, they strengthened user experience and after-sales service so that they could get the feedback of customers as soon as possible that they could update their products in time. And after a few years, the outcomes proved that they are useful strategies to overcome these barriers.

6.3 IMPLICATIONS FOR MANAGERS

Our study is about what barriers are most important to Chinese telecommunication companies when enter Swedish market, and how to overcome those barriers. The conclusion of this study is not only focus on the aspect of theoretical supplement but also on offering some suggestions about practical problems.

Market entry barriers are significant research theme in the study about the process of international business (Caves and Porter, 1977; Harrigan, 1981; Karakaya and Stahl, 1989; et al.). These researchers identified many kinds of barriers as mentioned above,

we researched these barriers by using the practical cases, and the theories are corroborated by using these realistic situations in this study.

And, there is only a small number of research to identify which barriers are more important to one kind of market. For this reason, this study aimed to research this topic deeper and more specifically and focus on one specific market, which can research a specific area and find out the feature of this market, offer theoretical specific information for this market, in addition, to offering some of the solutions or suggestions to those companies who meet these barriers when want to enter this market.

Furthermore, with the development of the China, more and more Chinese telecommunications companies try to find a position in the international market. Even so there are much research about the western enterprises go into the global market, but just a little about the Chinese company enter the global market, more specific, go into mature Nordic market. Chinese companies have their own feature. The situation of the Western enterprises enter the global market is different with the Chinese company seek international market, the theoretical information and practical advice of the solution for Chinese company is not completed, this study could offer some supplements to Chinese company.

6.4 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Although this study achieved its target and identified the most important barriers in one specific market, and offered some suggestions for the future Chinese companies to enter this market.

A limitation of this study is that it only focuses on the barriers that already were identified by other researchers, it did not try to find out some new barriers from these situation. With the development of business and marketization, the situation are changed dynamically, there are probably emerge new entry barriers to companies. So, in the future research, it could be done to identify whether there is a new type of barrier emerging in the same market and the same industry.

A second limitation of this study is that there are only two cases using in this study, it limited the amount of information. More cases could be involved in the future, and they could be researched and compared with each other. And, these companies of two cases are big international companies which already have run for a long time, they have more sources and experience than small companies. And the barriers these big companies meet may be different with the small companies, such as cost, and capital needs. In this case, this study is more suitable to big Chinese companies than small

Chinese companies. In the future, the research could be expanded to small Chinese companies and compared is there is a difference between big companies and small companies. And the industry these two cases in are high-technology industry which has specially feature of different requirement such as technology, in this case, more industry should be involved in the future so that the result could be suitable for more common situation.

A third limitation of this study is that it cannot get in touch with the high-level of management such as CEO, which probably cannot get the original ideas from the high-level management, and cannot get more information from the overall perspective.

Finally, the chosen country in this study is a highly developed country which are a relatively good economic and political environment, and the market is a highly mature market, the situation could be different in some backward countries or new emerging industry, some further research could be done in the future. Researchers could study in another industry with the same problems of this study and go further to compare there any difference of barriers or solution between other industry and this industry. Furthermore, scholar could research same problem in other countries such as India which is the different environment with Sweden and then comparing the difference to offer a supplement to the research.

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