Identifying Entry Strategies into Developed Markets: The Case of a Foreign Small Coffee Shop Business in Bahrain Entering the UK/London Market

ABSTRACT

The primary aim of the following research study was to identify market entry strategies of small companies into developed market which will be done through the case of a coffee company operatingin Bahrain with regards to venturing in to developed markets. For the purpose of validity the following research UK was selected as the study as a developed market and carried out a research study to contemplate upon the best market entry modes for a small Coffee Shop from Bahrain, intending to locate in UK. In addition, other relevant aims of the following study were to identify elements/factors that helps a company to enter an already developed market, to identify the challenges faced by the small firms in the coffee industry to start their business in the developed markets and to identify the factors which contribute towards the entry mode selection for small firms in the coffee industry to start their business in the developed markets. In order to obtain key primary information, the researcher carried out an interview survey with 5 managers belonging to International Coffee Shops located in London, UK. The information obtained from the managers was comprehended through the means of thematic analysis. After the data assessment phase, the researcher was able to conclude that, based on primary and secondary data, market entry modes of franchising or licensing would be most feasible for the Coffee Shop from Bahrain in its quest to establish their presence in UK. This research will help the researcher to identify market strength in which the managers will expand coffee shops. Furthermore, it will assist them to analyse current market efficiency and effectiveness to carry out business operations in a new market. Understanding the current market situation in which the coffee shops are supposed to be expanded, it will help the managers to develop different policies and empower employees towards a successful venture of the coffee shop in a different market. It will further help the managers to formulate strategies according to the trends and norms in that business market to stay competitive with the rest of the coffee shops in the area.

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CHAPTER 1: INTRODUCTION

1.1. Introduction

The environment in which organizations are operating their business is constantly changing with respect to the product types, technologies and other factors that influence the organization. The business environment has become competitive and risky that makes the organization to rethink their marketing strategies (Pearce and Robinson, 2005).

The 21st century is regarded as the era of globalization which is continuously growing which provides strong evidence that the organizations are pursuing the strategy of getting globalized. Along with the study of globalization, the entry modes for the globalization strategy have been extensively studied with the interest of the academic and the business environment.

Similarly, small local firms play an important role in the development of the economy and also in the growth of the nations. It has been found out that the governments have started focusing on the small firms as they are a huge contributor to the economy of the country. With the globalization strategy, emerging countries are increasingly dependent on the exchange of the products and services internationally for the economic growth and sustainability.

The companies of different genres have the choice of different market entry modes which is mainly dependent and influenced by the variables concerning the environment, resources allocation and the experience of the firms for the internalization. The complexity of the business world are allowing different companies to go abroad to carry out their further business operations. It has been researched that the level of the risk associated with the economy can strongly influence the entry choice of the companies, which has become the main focus of the current study.

1.2. Contextual Background

In order to make a successful entry into the foreign and developed market, choices depend on the conditions and economy of the specific country. Lassrre (2007) concluded that the companies are required to make a thorough analysis of the market and its attractiveness in order to have a feasible investment. The market and the industry is best assessed in terms of (1) the market size, (2) the intensity of the competition including the barriers and (3) profitability, (4) infrastructures and resources and (5) whether it is financial, human or material.

Companies are not limiting them to only a domestic market; they want to expand globally in order to spread their name. Therefore, companies are adopting different strategies to enter into a global market for the purpose of spreading their network and to avail the potential opportunities present in the market. This kind of decision makes a company more competitive in the domestic market as well as in the global market. Thus it can be said that the foreign entry methods are the marketing strategy used by the firms to commence their business in a foreign country (Kostova and Roth, 2002, p.233). It is a strategy in which the firm can enter into a foreign market along with their products and services, technologies, innovation and human skills (Sooreea and Sharma, 2012).

The multinational firms, therefore, seek to diversify their business portfolio and get globalized. Multinational Corporations are those firms which expand their business network in the international market as well as the domestic market. It consists of foreign subsidiaries which help the firms to extend their production process and marketing techniques to go beyond the country boundaries (Dunning and Lundan, 2008).

Most MNC's are operating in two or more than two countries at a time, which is usually headquartered in the country where their production process is situated. It is, therefore, operating in multiple countries but operating from a single country.

Moreover, it has been found out that the company, in order to expand themselves in the global market, need to manage their financial resources, human resources, management's skills, marketing according to the foreign country requirements and market conditions.

1.3. Aims and Objectives

The primary aim of the research is to identify market entry strategies of small coffee business operating in Bahrain for entering starting in developed markets. Analysis would be carried out through data collection from coffee businesses already operating in UK. Currently the coffee shop in focus is an established business in Bahrain. The objectives of the research are as follows:

- To identify elements/factors that helps a company to enter an already developed market.
- To identify the challenges faced by the small firms in the coffee industry to start their business in the developed markets.
- To identify the factors which contribute towards the entry mode selection for small firms in the coffee industry to start their business in the developed markets

1.4. Research Questions

The research questions of the study are as follows:

- What are the most appropriate entry strategies for already developed markets?
- What are the elements/factors that force a company to enter an already developed market?
- Which are the entry strategies that are most commonly used when entering a developed international market?

1.5. Research Problem

The concept of globalization has now become an important phenomena for any organizational in order to improve the profitability of the organization including the image of the company. The main reason behind the complexity of the globalization strategy is the internal and external environment regarding a company; these problems behave as a barrier in the globalization strategy adopted by the firms (Porter, 2008). The internal environment of the organization includes the product and service type offered by the company, acquisitions, and mergers if any, switching cost involved in the company, human resources and managers (Albaum and Duerr, 2008). The main problem in the expansion of the business to the international markets is the collection and evaluation of the information gathered related to the market.

The external factors according to Porter (2008) are the existing competitors in the market on which the company has to expand their business operations. Other factors of the external environment that can induce the strategy of the globalization process includes marketing intermediaries, social, political, cultural and other factors concerning the geographical area of the country that also serves as the threats and opportunities in the process of the expansion to a new foreign market (Jassawalla and Sashittal. 2002). The barriers and issues in the market entry do not only decide about globalization but they also act as development basis for the market and its economy subsequently. It is therefore emphasized that before entering into a new market, it is essential to make careful analysis of the market. Choosing the right entry modes can lead the firm to huge profitability and success.

1.6. Significance of the Research

It is projected that the research conducted would benefit the small organizations by addressing the issues concerning the globalization and the barriers to entry in the foreign market which is an important factor for the expansion of the business operations in the foreign country. The significance of this study can be judged from the fact that it provides different market entry strategy that a small local company can adopt in order to start its operation in a developed country. As far as the academics study is concerned, there is still a gap in the literature of the market entry methods, and it is also used to evaluate the viability and the applicability of the global strategies in the process of internationalization of the organizations operating in the emerging and the developing economies to get more prospered and mature in terms of their economy.

In addition, another key significance of the following study would be to the chosen country, Bahrain. Since the primary data and information will be collected from the business specialist from different small coffee shops in the Bahrain, therefore, the recommendations provided to the small coffee can be utilized to enhance upon their existing globalization factors and thereafter benefit the level of the market entry modes.

1.7. Structure of Study

The study has five chapters.

Chapter 1 gives a contextual background of the study followed by aims and objectives of the research, along with research problem, significance and rationale. This chapter provides basic understanding of the topic in hand, what the research was aimed at, what stimulated the need of research on the issue and how the study can be used as a source in future research.

Chapter 2 offers a wide review of the existing literature and research present on the topic. The basic themes and issues are addressed coupled with necessary research findings to shed light on what is already known about the issue and what are the areas for taking up future research and investigation.

Chapter 3 comprises of research methodology i.e. research philosophy, research design with approach, sampling techniques, type of investigation, data collection and analysis method etc. this chapter also includes the limitations, hypothesis and variables in the study.

Chapter 4 has data analysis with tabular and graphical representation of the data for facilitating the understanding while discussing the results and its interpretations as against the literature review and hypothesis. Quantitative as well as qualitative analysis of the results have been provided under this chapter to provide reader an insight of the research, its findings as well as the importance of findings.

Finally, Chapter 5 concludes the research with key findings and offers recommendations and future suggestions for research. This chapter is the core of the whole research and summarizes the main areas of the research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

It has been found out that firms are increasingly getting involved in international trade and are highly relying on foreign markets for their survival and expansion. Therefore the importance of strategic decision pertaining to internationalization is on the rise. At the centre of any international business strategy lies the choice of which foreign markets to pursue and the mode of entry for each market. Rapid globalization in the past few decades, increasing openness to foreign investment and trade arrangements have expanded the challenges as well as the opportunities for business organizations that intend to grow and diversify their operations overseas (Buckley et al, 2005). Numerous organizations spend a lot of effort and time in order to explore and consider opportunities for diversification and growth into new markets. According to Buckley et al (2005), in the last few decades the idea of internationalization has grown in many frameworks. Internationalization is a dynamic and fluid concept which focuses on the growing involvement and interest of business organizations in international operations. It can also be viewed as a process through which organizations enhance their mindfulness of both direct and certain indirect (Coviello& Munro, 1997).

The theories that pertain to internationalization are all intertwined and act as a guide when considering decisions relating to entry in international and foreign markets. The theory of internalization assesses the choices and decisions that are made by owners and management of business organizations (Coviello& Munro, 1997). The idea underpinning this theory is that rational choices are made when taking business decisions and that management and business owners can identify factors and options. It is not assumed that the decision maker will be able to identify all options. According to rational action model the number of choices is limited to make the model simpler. Rational action model can be very useful in a number of international business issues and problems and this includes entry into the foreign market (Buckley &Casson, 2009).

2.2 Modes of Entering Foreign Market

It is argued that the way of entering into the foreign market can have a substantial influence on a firm's international operations (Chung &Enderwick, 2001; Cristina & Esteban, 2002). The choice of a mode for entering a new market is one of the most critical and important strategic decision for a business enterprise. As a result it influences future decisions, which include exit and re-entry, and also has an impact on how well a business performs in the overseas market. As it is such an important and critical issue the choice of market entry mode has been a subject of many models and theories which have been developed in order to explain and comprehend the underlying variables and related phenomena.

It has been noted that firms tend to enter an overseas market by picking from various options which include joint-ventures, exporting and forming a subsidiary. The mode of entering a market is influenced by the extent of control and differs from market to market (Buckley et al., 2002). As a result, if a business is making a decision to enter an overseas market and faces a great degree of ambiguity it may be appropriate to go for low risk options in order to stay responsive and flexible. Choosing exports as a means of entering a foreign market gives flexibility to a business but hinders the collection of information pertaining to the relevant foreign market (Chung &Enderwick, 2001). On the other hand, joint ventures allow a firm access aluable information and also to reduce uncertainty and require commitment of resources to a limited extent. As a result forming joint ventures provides real options to organizations to cut down their exposure to risk and at the same time provides access to local resources and knowledge. They also get an option to expand in the future (Buckley et al., 2002).

2.2.1 The Stage Model

The stage model has been used to explain the behaviour of overseas market mode. According to this model, a business internationalizes by following a step by step process which allows it to make choices that need less commitment and are less risky, like exporting. The model is of the view that internalization process is the product of gaining experience and knowledge; to be specific it means market related knowledge. As a firm acquires knowledge by conducting its operations in a particular market, it commits more to that particular foreign market. Therefore, as a firm gains more experience and knowledge with the passage of time, it may move on to entry modes that require higher levels of commitment, like equity based modes of entry (Pan, Li &Tse, 1999).

2.2.2 Transaction Cost Economics

According to the economic-rational model, decisions that are made in the process of internationalization reflect the assumption of bounded rationality. According to this approach, both eclectic paradigm and theory of transaction costs are used in order to explain and understand decisions pertaining to foreign entry mode (Agarwal&Ramaswami, 1992). The economics of transaction costs have been used to explain and clarify the overseas investment activities of foreign firms. In this context research has identified 3 main transaction costs which are investment, control and asset specificity (Zhao et al., 2004). The alignment of these 3 transaction cost attributes has yielded better subsidiary performance. In a recent study it was revealed that the addition of real option variables to the model of transaction costs greatly enhanced the explanatory power of the model (Brouthers et al., 2008).

2.3 Eclectic Paradigm and Market Failures

Researchers have identified 2 kinds of market failures that have an impact on investment activities and international trade. They can be classified as transactional and structural market failure. Structural market failure arise from economies of operating on a large scale, knowledge advantages and some type of governmental involvement that are linked to the scope and size of MNEs (Li et al., 2005). On the other hand, transactional market failure stems from inefficiencies in the market which are caused by transactional doubts and uncertainties. The eclectic paradigm is of the view that world-wide market failure lay beneath the existence of Multi National Entities. The eclectic method was built in order to explain and understand overseas investment initiatives by means of ownership related advantages, advantages related to location and internalization advantages. While ownership specific advantages can be confined to firm specific capabilities and resources, advantages specific to location are the productive and institutional variables that are present in a certain market. The advantages and benefits related to internalization rely on a foreign organization's capacity to coordinate and manage activities and operations internally (Dunning, 1997). According to this theory factors specific to the country are very important. The theory requires that both country and industry related variables must be taken into account to determine an effective mode of entry. The model developed by Dunning has been very responsive in terms of application and gives a context for comprehending the causes of MNE activities and initiatives like competitive advantage, global strategies and governance.

2.4 Service Businesses

Theories relating to multinational enterprise and foreign direct investment have been broadened to cover service industries that operate in overseas markets (Boddeywyn et al., 1986). These include, for example, hotels and management consulting. As the above theories have been successful at explaining the globalization of service MNEs, it is argued that no specific theories for service firms are required. However, it is argued that banking is quite different when compared to other services because money is a fungible and crucial asset for any business. In contrast to other investments, the fungible nature of money makes banking unique.

2.5 Firm's Knowledge and Market Entry

With respect to knowledge base, researchers have placed on emphasis on the issue of foreignness and the comprehension of the market reality of the host country. This can be broadly defined as the knowledge of culture, society, language, politics and economy (Makino &Delios, 1996). All these factors have an effect on a firm's entry strategy. Researchers have noted that there are 3 kinds of market knowledge. These are overseas institutional knowledge, overseas business knowledge and knowledge of internalization (Eriksson et al., 1997). Researchers emphasize that accumulation and gathering of these elements of knowledge is a gradual and ongoing process.

Some researchers focus on step by step acquisition, use and integration of the knowledge of the overseas country in order to study and understand a firm's level of commitment in an overseas market (Johanson and Vahlne, 1977). Researchers have also examined and studied host country experience and knowledge and found that the diversity and intensity of a foreign country experience are important at predicting international growth performance (Lou &Peng, 1999). More recently it has been predicted that economic and cultural market knowledge will trigger earlier access to the market (Mitra&Golder, 2002).

2.6 The Timing of Entry

In order to evaluate entry decisions, it is critical to analyse the timing of global growth, which refers to the timing of various initiatives that are taken by the firm which is on its path to going global (Gallego et al., 2009). Timing of entry into overseas markets has been widely studied and academics have examined a variety of variables (O'Grady & Lane, 1996). The theory of economic development and dependency provides an in-depth understanding of the underlying patterns and structures that regulate a firm's decisions relating to international market entry. It has been held that firms that have been in business for a long time eventually make a decision to expand into foreign markets. On the other hand, there are other firms who enter foreign markets in their infancy stage. Entering a foreign market at an appropriate time is crucial to success (Li et al, 2003).

When a firm decides to enter an overseas market, can have far reaching consequences and implications in terms of its performance (Tuppura et al., 2008). If the environment of the host country is favourable to a firm, a firm entering the market early has the chance to achieve first mover advantage. On the other hand, innovating a strategy for the early entrant is more risky in most situations. Firms who enter the foreign market late face considerably less risk and costs as there is risk in terms of access to the market. Researchers have studied the order of entry and performance in foreign markets. It is argued that entry tends to occur early into markets that are very attractive. These markets include those that are established, large and have numerous multinational occupants (Mascarenhas, 1992).

2.9 Foreign Market Entry, Experience and Culture Distance

With an increase in experience, a firm gains more knowledge of a foreign country and its markets and as a result becomes more confident. Whether a firm has made prior investments in a particular geographic region, it has an impact on future decisions with respect to investment in these regions (Arregle et al., 2013). As a firm gains more experience with a specific mode of entry it develops relevant capabilities, integration methods and the skill to learn from its different ventures. It is also noted that firms tend to choose those modes of entry that they are most familiar with (Helfat and Lieberman, 2002).

Evidence on how experience and learning influence foreign market entry strategies is quite ambiguous. Researchers have noted that if a firm has more experience and knowledge of a specific country it is less likely to choose joint ventures over wholly owned subsidiaries and operations. On the other hand, it has also been noted that experience did not play a critical role in explaining why firms tend to give preference to joint ventures over wholly owned subsidiaries. Researchers have also noted that engagement in foreign countries usually begin with countries that are psychologically close and then covers markets that are psychologically more remote as a firm gains more knowledge and experience (Arregle et al., 2013). It has been observed that multinational companies in the US first enter into foreign markets that are familiar in terms of geography and culture and then make a transition to markets that are comparatively less familiar.

2.10 Theoretical Frameworks

There are 3 main theoretical frameworks that are used to explain different entry strategies that are used by firms. Many economists explain and understand entry strategies through a framework called transaction cost economics (TCE). This method concentrates on reducing to a minimum contractual problems and issues that firms might face when they conduct international operations and activities via unaffiliated entities. The selection of entry modes based on the criteria developed by TCE gives firms the most efficient structures and strategies (Williamson, 1985). But concentrating entirely on reducing transaction costs may not always provide the best or optimum decision criteria as it tends to ignore the high revenue potential of other entry mode choices (Teece, 2014). TCE approach also makes an assumption with respect to risk neutrality, which does not take into account the reality that different managers have different appetite for risk.

Selecting the mode of entry not only depends on contractual issues and problems but also on the ownership and control of the resources and capabilities that are required to conduct the international operations. Various kinds of pre-entry capabilities, skills and resources can have an influence on which foreign markets to enter, the timing of entry and the mode of entry (Helfat&Leiberman, 2002; Teece, 2014). As an example, a local firm which is contemplating expansion and growth abroad may be better off if it chooses joint venture or acquisition rather than developing internal capabilities when it intends to grow geographically but does not have the requisite knowledge of local markets. On the other hand, firms which possess pre-entry capabilities and resources may seek to enter a foreign market in order to gain economies of scope.

2.12 Factors Affecting Mode of Entry Decisions

There are a variety of factors which have an effect on a firm's entry mode decision. Foreign markets are considered to be more uncertain and risky when compared to the local markets. The level of risk facing a firm in a foreign market depends both on the market setting and also on the company's method of involvement. In countries where risks are high firms would tend to limit their resource commitment in the specific sphere and adopt those modes of entry that have low resource requirements in order to restrict their exposure to the risks associated with specific countries (Hollensen, 2014).

The size of a country and expected market growth are two important measures that can have an effect on the entry mode choice. In a larger country firms are more likely to establish an owned subsidiary or engage in an owned venture. This is done in order to ensure control over the operations and provide management with direct contact. In contrast, smaller markets which cannot be served easily due to geographical limitations may only get little attention and supplying them through exporting or licensing arrangements may be more feasible (Hollensen, 2014).

Trade barriers in the form of quotas or tariff imposed on the import of foreign products may lead to a decision to establish a local production or assembly unit. Local supplier preferences and trade regulations can also effect the choice of entry. In a country which prefers local suppliers and national products it may be better to consider a joint venture arrangement with a local business in order to reduce the foreign image (Albaum&Duerr, 2011). The environmental variables like socio cultural distance between the local and overseas market can also have a significant effect on the entry mode choice. This aspect refers to the differences in cultures, levels of education, business and trade practices and language. As a result if the home and the foreign country differ significantly in terms of socio cultural characteristics, a firm will not be comfortable investing a lot in that target country and may be more inclined to follow low risk entry modes (Hollensen, 2014). Other environmental variables that can have an impact on the entry mode decision are issues like economic instability and exchange rate.

Fierce competition in the foreign market can also have an influence on the mode of entry. If foreign markets are saturated due to high level of competition, they will not be seen as very profitable and as a result huge amounts of investments will not be seen worthy. In this situation firms will tend to favor export modes as they do not require huge amount of resources.

CHAPTER 3:METHODOLOGY

3.1 Research Philosophy/ Paradigm

The term philosophy refers to the distinctive attributes and logics over contemporary issues which include considering how the world seems to be from different perspectives. So the research philosophy is explained in a way that it provides the views and paradigms to explain several aspects of the research issue. Several philosophies researchers utilized in their research including positivism, structuralism, post-positivism, interpretivism, modernism, post-modernism, post-structuralism, pragmatism and critical theory. However, two mainly used philosophies are positivism and interpretivism(Petty*et al,* Thomson, and Stew, 2012).

Positivism is utilized in current study as research philosophy which suggests that reality is independent of the observations and personal experiences. It is based on the belief that reality remains constant for all the observers and the real knowledge can be acquired only by systematic ways through measurable, empirical and quantifiable data extraction. Therefore, this philosophy is usually adopted in the qualitative studies.

3.2 Research Approach

Logically, research is based upon two main methods of reasoning which provides the flow of information used in the research and are known as research approach. These two main research approaches include deductive and inductive approach. In inductive approach, the reasoning provided works in such a way that the research starts from specific observations made by the researcher and moves on to include more and more generalized data and theories (Gioia*et al*, Corley, and Hamilton, 2013)

Deductive approach is implemented in the current study which moves from general towards specific findings and is also known as 'top-down' approach. It includes considering theoretical foundations for the study and moves on to narrow it down based upon based upon the hypothesis which is provided in the initial phase of study (Creswell, 2013).

3.3 Types of Investigation

Investigation of data refers to the inquiry made at the part of researcher in order to conduct research which is carried out by gathering data. There are three main types of investigation of data which includes descriptive, explanatory and exploratory investigation (Study.com, 2016).

This study is based upon explanatory research which is based upon several processes and various different phenomenon are explained. Furthermore, explanatory research tends to explain the underlying factors and concludes the study in correspondence to the variables discussed into the study.

3.4 Research Design

There are two main types of research design which includes qualitative and quantitative research. Quantitative study is the one which deals with measuring values, amount or quantity and therefore is categorized as the one which includes quantifiable data. Qualitative data refers to the one which includes the concerns of qualitative phenomenon of the happening going around the researcher. Qualitative research is mainly used in social sciences due to the fact that it involves investigation of human behaviour which is based upon their experiences of life (Silverman, 2016).

This research is based upon qualitative research due to the fact that primary qualitative data would provide more in-depth analysis of the research phenomena and research issue which the study aims to answer it.

3.5 Research Strategy

Strategy refers to the plans that are prepared and utilized to achieve some mission and in the similar context research strategy refers to the plan aimed at achieving the research objectives by using several tools. There are various research strategies including action research, surveys, interviews and case studies among others (Verschuren, Doorewaard and Mellion, 2010). This particular study uses interview as research strategy which are aimed at providing the opinions of concerned persons in order to have a better insight of the respondents' understanding of entry strategies. Furthermore, questionnaires are formulated which are used to be included and used to interview the owners of coffee shops in the UK. These questionnaires serve as a tool to complement research strategy and thus are in accordance to the research strategy adopted in the particular research.

3.6 Data Collection Method

Data collection is another important dimension of doing research due to the fact that the entire research process is based on the information available. There are several methods through which researchers collect the relevant data for their research. There are two main types of data collection method based upon the nature of data gathered. It includes primary data collection and secondary data collection.

This study is based on secondary data collection which refers to the one which utilizes already available data. This data includes all those material which is present as a result of scholarly articles, journals and published books (Business Dictionary, 2016).

This particular study consists of both primary and secondary data collection methods which includes interview from owners of small coffee shops in London, in addition to the literature review provided.

3.7 Sampling Method

There are two main types of sampling methods which are used in the process of sampling, i.e. probability and non-probability (McLeod, 2014).

This study incorporates non-probability sampling method which is opposite to the probability sampling method. In non-probability, the sample are not chosen in a random fashion rather, the researcher selects among the given population who would the respondents be. As shown by the name, non-probability sampling includes no chances of equal participation of all the respondents due to the fact that the respondents for survey or interview are always the ones who are pre-chosen by the researcher. The non-probability sampling method does not denote that it has no representative of society rather it does not depend upon the justification of probability theory.

3.8 Sampling Technique and Sampling Size

Sampling technique refers to the various strategies that a researcher includes in the sampling process in view to carry out the sampling easily. In non-probability method of sampling, the most commonly used sampling technique is the convenience sampling which is also used in the current study. As shown by the name, convenience sampling involves selection of respondents on the basis of convenience and ease of researcher (RGS, 2016).

In addition, convenience sampling is also considered when researcher aims to gain valuable opinion of certain members of the society due to their experiences and association to the field being under consideration. This is specially considered when the researcher wants to acquire responses of concerned persons only while omitting rest of the members of society. This is due to the fact that several issues could only be understood by those people who have their expertise in the field. Furthermore, sampling size refers to the number of units included in the sample to be included.

This study includes only managers of five coffee shops based in London. These coffee shops were selected on the basis of the convenience of the researcher according to the experiences of managers and ease of location to the researcher. These coffee shops are important as they are part of a large chain and are located in Central London. Therefore, it provides the researcher to be more selective in terms of choosing respondents. These respondents are chosen in the basis of non-probability due to the fact that the managers to coffee shops in the UK are pre-identified by the researcher. Thus the sampling size is set to be: N=5.

3.9 Data Analysis Plan

This thematic analysis refers to analysis of the literature provided in the study and helps in making a sense of the provided literature. Furthermore, the relationship shows between the several variables discussed into the study also tends to be providing an in depth analysis of the literature, through applying thematic or content analysis. This type of analysis is used when the gist of the content is to be evaluated and incorporated into the research process. On the other hand, the study also includes quantitative data by providing the numeric calculations acquired by the interviews conducted (Vaismoradi, Turunen and Bondas, 2013).

3.10 Accessibility Issues

The accessibility issues for this research include accessing managers and owners of coffee shops due to their busy schedule. In addition, to interview the managers was a big accessibility issue. Furthermore, during literature review, researcher faced accessing several academic journals as well. Searching online material on internet especially the academic articles was another issue to access the relevant literature. Therefore, the researcher faced with the accessibility issue in review of the literature.

3.11 Ethical Considerations

Ethical considerations in this research include the recognition of original author's work which is carried out by using proper Harvard referencing style.

3.12 Research Limitations

Researcher faced difficulty to interview managers of small coffee shops due to the fact that most of the coffee shops based in London are running huge businesses like Starbucks and Costa Coffee. Therefore, it was tough for researcher to find several coffee shops running on small scales, which was a requirement of the research. financial limitation was another problem which researcher faced while doing research.

CHAPTER 4: DISCUSSION AND ANALYISIS

4.1 Introduction

Within majority of the research studies and dissertations that are carried out by academicians and scholars, globally, the chapter incubating discussion and analysis holds key importance and sheds a critical oversight upon the relationship between the designated research variables. In addition, the following chapter also establishes a potent framework upon which the researcher concluded the entire research and was able to provide apt recommendations to the selected case study.

4.2 Thematic Analysis

4.2.1 Importance for an Organization to Grow Globally

According to an observation presented by Albaum and Duerr (2011), the business environment has grown significantly and is presently transcending all physical boundaries and borders.. The concept of globalization has now become an important phenomenon for any organization in order to improve the profitability of the firm including the image of the company. Through interview analysis it was found out that globalization is undoubtedly an important strategy for the organization but on the other hand, it is a complex and crucial process which brings a great challenge for the company that is interested in global operations. By expanding their operational horizons, organizations are not only able to cater to new customer segments but can also benefit from economies of scale depending upon the market dynamics of the international region. Hollensen (2014) supported this viewpoint by stating that the notion of competition also plays a vital part in determining whether or not organizations undertake expansion decisions or not. According to Kotabe-Masaaki and Helsen-Kristiaan (2010) competition level throughout the world have increased and subsequently reduced the domestic market penetration ability of organizations, an aspect which has reduced the revenue generating ability of the firms. Thus, in order to circumvent around the following obstacle, a high percentage of organizations are venturing into foreign developed market, which offer high profit margins, lower cost of production and an incremental consumer base to target.

In contention with the assessments obtained from the secondary data analysis, the respondents produced similar sentiments when inquired about the importance and necessity for an organization to grow globally. As interviewee 4 narrated, *"Venturing in to UK's Coffee Shop market has been a very prosperous decision for us because it has allowed u to cater to a diversified group of customers, who prefer to drink high quality coffee, thus allowing us to increase our profit margins."*

Having to operate in an already developed market has allowed the coffee shops, who were selected for the following study, to obtain desire economic and operational resources with ease. Amongst the respondents, interviewee 2, echoed the following believes by stating that, *"UK's coffee shop market is considered to be highly developed, a factor which has eased the transition phase for international coffee shops like ours and allowed to us to spend less on the marketing aspect and more on the services that we provide"*

4.2.2 Different Entry Strategies to enter a Developed Market

According to the views expressed by interviewee 1, *"When expanding into the UK market, the management of the Coffee Shop opted for the market entry method of Franchising, since it allowed us to ensure all the necessary SOPs were met and did not require incremental amount of capital investment"*

Further assessment of the collected primary data revealed that franchising was the desired market entry strategy of two other international coffees shops that were under study. When further inquired about their decision to select franchising as their primary market entry method, the respondent highlighted that they due to the element of managerial control, franchising was the appropriate option. However, one the respondent who was interviewed highlighted that in addition to franchising, licensing can also be utilized as an appropriate method to enter a developed market, like the Coffee Shop sector in UK. Moreover, according to interviewee 5, *"Licensing is a more feasible market entry strategies since it involves a limited number of due diligence process and allows the management to undertake an expansion decision in a more swift and timely manner"*

Aligning the following primary analysis with the literature that was reviewed within chapter 2, certain similarities can be assessed. According to Murray, Ju and Gao (2012, p.52) the market entry of strategy of Franchising contemplates upon an agreement between two independent firms, where the franchisor has the right to sell the products and services of the franchise and to use its trademark for a given period of time. The franchisor can lease its brand name; provide marketing-related assistance and training to the franchisee. In addition, according to Teece (2014, p.22) the concept of Franchising has separate benefits to the franchisee and franchisor and allows the franchisor to exert significant amount of control over the operations of the franchisee and ensure that all the services are up to the required standards. In addition, as narrated by Vaismoradi, Turunen and Bondas (2013, p.401) the franchisor does not need to be physically present in the selected foreign country to make the business venture operational, thus allowing more flexibility to the franchisor to carry out their business plans.

Similarly, in the words of Verschuren, Doorewaard and Mellion (2010) the paradigm of licensing highlights a type of contractual entry mode where the firm (the Licensor) offers some financial assets to the licensee in the foreign country in exchange for payment fees. According to Sikimic, Frattini and Chiesa (2013) licensing is logistically a more feasible option than franchising and involves comparatively less paperwork, making it a time effective and competent market entry mode, especially when venturing into developed markets.

4.2.3 Benefits of Entering a Developed Market

According to Hoskisson et al. (2013, p.297) there are numerous benefits that can be harvested by organizations and businesses alike through the decision of a entering a new developed market. As augmented by Knight (2015, p.46) one of the first and foremost benefits of entering a new and developed market is the ease of access to capital resources and revenues. Usually when entering a new market, firms are required to bring in their own capital resources and the import duties imposed on the capital acquisitions that could have an adverse impact on the cash flow structure of the firm. Thus, developed markets are usually backed by sound financial institutions and generally have the necessary equipment available in the domestic industries, thereby reducing the set up cost for a newly entered firm (Schlegelmilch, 2016, p.44). In triangulation with the primary data that was collected, majority of the coffee shops managers, who were interviewed expressed similar opinion. According to one of the respondent, *"Operating in a developed foreign market like London, acquisition of capital resources and equipments has been very easy. Before inaugurating the Coffee Shop we were approached by different business angels and venture capitalists firms who were willing to invest in our business, without any down payment of interest surcharge"*

In addition, another relative benefit that can be obtained by entering developed or new markets is that of lower cost of production or economies of scale. Economies of Scale can be defined as a concept where manufacturers experience certain favourable external situations, situation which can reduce the average production cost for a firm, allowing it to earn a higher profit margin. As documented by Khanna and Palepu (2013) economies of scale vary from one another and can occur in different aspects, depending upon the organizations of the firm and the market schematics in which the organization is operating in. Even though most of the coffee shop managers stated that they did not benefit significantly from the notion of economies of scale, one of the respondents, however, expressed a contrasting opinion. According to Interviewee 3, *"Ever since we started operating in UK we benefited from managerial economies of scale because the labour here is technically gifted and hence we were able to hire fewer workers but were still able to achieve results in excess of our optimal production and serving standards"*

4.2.4 Challenges faced by Coffee Shops after Entering a Developed Market

Even though the benefits of operating in a developed market outweigh the subsequent challenges, the respondents who were surveyed did outline few imminent challenges that they faced. As one of the interviewee stated that, *"After entering the UK Coffee Shop market, one of the foremost challenges that we faced was regarding the difference in cultural activities and business dealings"*

Furthermore, the respondents were also of the opinion that the method of conducting business in London, UK differed significantly from their domestic regions. According to the managers rules and regulations for business transactions were much more stringent and thorough in UK as compared to their domestic environment and the penalties imposed on rule breaking were more severe. From a theoretical viewpoint, many different scholars have expressed their concern pertaining to the change in cultural environment and its impact on the operations of a firm that is a new venture. According to Laufs and Schwens (2014, p,112) difference in cultural practices and norms, new firms can find it difficult to sustain their presence in a foreign market, and acting against the cultural precedence can lead to a fall in sales and poor brand image.

In addition to cultural differences, the interviewees also stated that, rapidly changing consumer preferences in developed market was also a key challenge that international organizations faced. As highlighted by interviewee 2, *"Being part of UK's Coffee Shop we are always aware of changing consumer preferences due to the incorporation and influence of various external factors impacting the decision making abilities of the consumers.* Similar critical assessments were presented by Hassan and Gioeli (2014, p.311) as research indicated that in developed markets or economies consumers tend to have sufficient information regarding the availability of goods and services they wish to purchase. Therefore, in such a dynamic consumer market, maintaining customer loyalty could be a troublesome task since consumers are constantly looking to change their brand preference in order to undertake the best possible purchase decision.

4.3 Discussion

4.3.1 Factors forcing a company to enter an already developed market.

According to Sikimic,Frattini and Chiesa(2013) there are multiple different factors that can lead an organization enter an already developed market and one of them is the increase in competition within the domestic market. As opined by Khanna and Palepu (2013) increase in the competition levels can saturate an existing market, limiting the percentage of market share dominated by a single firm and thereby reducing the profit margins of the corporate entity. One possible solution to such a predicament is expanding within international markets, and as expressed by Knight (2015, p.46) venturing into new firms can allow the organization to target a new set of target customers and thus ensure that profit margins are not diluted or compromised by increasing competitive levels.

Another key reason which can promulgate established firms to look for pasture and sustenance in foreign market is the ideology of lower cost of production or operation. Each country or geographic region has its own set of unique rules and regulations and under certain circumstances, operating in a new market can be more cost effective (Schlegelmilch, 2016, p.44). As Hoskisson*et al*. (2013, p.297) further denoted that lower cost of production can have a dual impact, while on one hand it will allow the firm to increase their profit margins, lower of cost of production will also allow the organization to reduce or eliminate their competitors since the firm can charge a lower price without compromising on profits or quality.

Most of the respondents agreed to the findings from the secondary literature analysis and highlighted that one of their primary motive to operate in London, UK was in allure of greater profit margins and to benefit from a larger pool of prospective customers. Furthermore, economies of scale and a lower cost of production was also cited as a secondary expansion reason, though most of the managers opined that high rental and taxation charges rendered the chances of economies of scale obsolete.

4.3.2 Challenges faced by the small firms in the coffee industry to start their business in the developed markets.

Most of the smaller organizations that venture into new and developed market are faced with certain key limitations and challenges which are necessary to be overcome in or order to attain success. According to Kotabe-Masaaki and Helsen-Kristiaan (2010) cultural differences and contrasting principles upon which business transactions are carried out is one of the foremost challenges that all new firms face during their introductory stage in a developed market. Shedding additional light on the following aspect, Arregle et al. (2013, p.912)highlighted that international business markets vary from one another based on their cultural and for new firm to assimilate with cultural norms is not only essential but a difficult process. The following of cultural cohesion was also highlighted by all the respondents who were interviewed. The international coffee shop managers opined that UK' business rules and regulations were very rigid and the penalty levied upon offenders was substantial. This reduced the element of flexibility from the international coffee shops in London, and most of the managers had to content with similar USPs and differentiation policies.

Another key challenge that was highlighted by the respondents was the constantly changing consumer preferences. According to the managers surveyed, consumers in UK are influenced by different external factors and therefore, their needs and wants are ever changing and dynamic. Thus, during the preliminary phases, the international coffee shop managers found it difficult to cater to the demands of the customers due to the differences in their preferences and the diversity of their needs.

4.3.3 Factors which Contribute towards the Entry Mode selection for Small Firms

As mentioned by Sikimic, Frattini and Chiesa (2013) there are different set of factors and outliers that can have a subsequent impact on the decision making ability of an organization regarding the selection of an appropriate market entry strategy. Due to the high risk factor associated, internalization organizations must be careful regarding the factors that explore and expound upon before arriving at a formidable solution (Vaismoradi, Turunenand Bondas, 2013, p.401). According to Knight (2015, p.46) the propensity for an economy to grow in the future is a key factor which organizations, big or small, contemplate upon before making their decision to expand their business operations. In addition, quotas and trade barriers are also a key factor which can determine which market entry strategy should an organization consider.

According to Hassan and Gioeli (2014, p.311) in countries or region where the cost of production is high, contractual manufacturing is the best possible market entry strategy since the domestic partners will be aware of the legal predicaments and would be able to better negotiate with trade unions and employers associations.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

The main aim of this research was to identify the various factors that cause a company to enter into overseas markets which are already developed including the factors that influence the mode of entry into these markets and the challenges that small firms in the coffee industry face when starting their business in the developed markets. These were the key objectives that were set forth by the researcher on which the current research study was based. The research explores the concept of overseas market entry and has identified numerous modes of entering international markets which are used globally. Besides giving an international and theoretical perspective, the research also made an analysis and examination of different methods of market entry along with the success of those methods that are used by companies in the United Kingdom. After the recession UK has come out stronger than before and the number of foreign businesses and companies that are entering the country have escalated.

Using primary as well as secondary method of data collection, the researcher gathered sufficient information and concluded that some of the preferable modes of market entry for a coffee shop in UK include franchising, licencing, exporting, contract manufacturing and joint ventures. Among these methods franchising and licencing stand out as the most suitable methods of entering the UK coffee shop market.

5.1.1 Today's Business Environment and Globalization

It has been found out that business organizations operate in environments that are in a state of constant change in terms of product types, technologies and customer behaviour and attitudes. With every passing day the environment is becoming more complex, risky and challenging. This century is heralded as the era of globalization. With the study of globalization getting a lot of attention, the modes of entry into overseas markets are being studied extensively by scholars and academic alike. There is a plethora of studies and theories which play a key role in identifying the important variables, dimensions and frameworks that are needed to fill the gap in the decision pertaining to a particular choice of entry to the international market. There are various means of entering international markets which include exporting, licencing, franchising, contract manufacturing and establishing multinational companies.

5.1.2 Reasons for Entering Foreign Markets

Companies enter into international markets for a variety of reasons. The main reason is to increase sales. According to (Albaum and Duerr , 2011), there is an increase in globalisation of the businesses as businesses invest in foreign markets and make trade arrangements to explore more opportunities. If a firm has a novel and unique product or enjoys a technological advantage which is not available to its competitors in the international market, then this can translate into an excellent opportunity to boost sales. Another important reason why firms seek global expansion is to reduce their vulnerability to seasonal and economic downturns and fluctuations in the economy. Economies of scale are also an important reason why companies pursue international expansion. Exporting is a great way of expanding the company with products and services that are globally accepted. Internationalization, especially in the manufacturing industry, can assist companies in achieving economies of scale. Sometimes a company enters into foreign markets not solely for financial purposes, but to study and learn different aspects of international markets like consumer behaviour.

5.1.3 Challenges Faced in Developed Markets

There are several challenges that small businesses face in the developed markets in the coffee industry. As stated by Baker (2003), foreign markets are considered to be more uncertain and risky when compared to the local markets. The first is the identification of a genuine market need. The key to succeeding in business is to offer products that consumers are compelled to purchase and it can be tough to identify the needs of a huge number of customers in an overseas country. The other issue that small companies may face relates to the cultural nuances. Consumers are induced to buy products through the use of marketing messages and advertisements. Commercial advertisements often use humour to attract the consumer's attention; but what is considered funny in one culture may be deemed offensive in another culture. As a result producing effective marketing messages requires a comprehensive understanding of the foreign country's culture, custom and even religious notions and ideas. The factors that drive customers to purchase products and services vary from one country to another. Moreover, management of small companies can face several hindrances to effective communication which go beyond the obvious and apparent difference in language. The pace of negotiation can be different in different countries. In some countries the process of negotiation is fast while in others emphasis is given to developing relationships before a deal is given serious thought. As another example people foreign countries may give more importance to things like facial expressions instead of just focusing on the words that are being said.

5.1.4 Franchising as an Entry Strategy

Many coffee houses are using franchising as the mode of entering overseas markets. Franchising has made a huge contribution of almost £15.1 billion to the UK economy in 2015 which is a ten percent increase compared to the last year(Swobod, Elsner and Olejnik, 2015).

This success in franchising can be ascribed to the willingness of entrepreneurs and companies in the UK to welcome foreign brand names in the country. In 2014 UK witnessed a substantial increase in the number of entrepreneurs that emerged in the country's entrepreneur community and almost ten percent of them have been engaged in developing associations with global brand names and have opened their franchises in the country (Hernández and Nieto, 2015).

Franchising is the most feasible method of entry as it enables businesses to find talented individuals to handle and manage their locations and also provides them an incentive to work harder (Harzing, 2002). In most cases qualified people have a preference for investing in running a business in exchange for dividends and profits instead of working as a salaried employee. This makes franchising a really good option for entering a new market. Franchising as a mode of entering overseas markets is an excellent way of obtaining expansion capital because franchisees make payments for the purchase of shops and outlets. This eases the expansion process as the company does not have to tap into its own capital resources. Another upside to franchising is that it enables companies to earn high returns for a low level of risk. Instead of acquiring its own outlets, when a company franchises it puts less of a strain on the company's cash resources. If the company has a good business model it can make huge earnings in the form of royalties. Another benefit of franchising is that it enables the business to grow at a very fast pace. The choice of a mode for entering a new market is one of the most critical and important strategic decision for a business enterprise. Due to this issue influences of future decisions, which include exit and re-entry, and also has an impact on how well a business performs in the overseas market (Pan and David, 2000).

Contract manufacturing and joint ventures have also been important strategies for entering overseas markets. UK benefits from being a part of the European Union in the form of reduced imports and exports cost and also enjoy the benefits that are offered by free trade.

As a result, average production cost in the UK is significantly less as the process of importing raw materials in the country is quite easy(Hernández and Nieto, 2015).

On the basis of the literature review, the researcher identified a set of possible factors that affect the mode of entry decision. After that the researcher collected data from different sources. With respect to the factors that influence entry method decisions, the researcher obtained several findings. A number of factors have an influence on the entry decision that is chosen by a firm to enter a particular market. These factors include factors that are both internal and external to the environment of organization. Internal factors that affect coffee companies include culture distance, intensity of competition in the industry, and market potential. In contrast external factors include characteristic of the foreign country, risk appetite of management, speed and commitment of resources. Both internal and external factors are of relevance in the entry decisions, but often the external factors play a more decisive role in developing the international strategy of a business.

5.2 Recommendations

Keeping in mind the aims and objectives of the research study, the researcher derived the recommendations which are discussed below. These set of recommendations will enable coffee shops, who are about to enter the UK market, make a reasonable decision in selecting the suitable strategy for entering into the UK coffee market.

- Based on the review of the literature and the analysis of the answers of the respondents it is recommended that franchising should be used as a method to enter the UK coffee shop market.
    - *Factors that helps a company to enter an already developed market*-After a careful analysis of various research studies that were published by prior academics and writers and aligning the findings with the published material of various authors and

scholars, the researcher reached a conclusion that culture plays an important role in the decision pertaining to market entry strategy that a firm chooses. As a result, for a prospective coffee house which intends to establish its presence in the UK's coffee house industry, it must gain a comprehensive understanding of the character traits of the customers in the particular area and based on the cultural features and preferences of that particular place choose and implement an appropriate entry strategy.

- *Identification of challenges faced by the small firms in the coffee industry to start their business in the developed markets*-In addition, based on the analysis it was revealed that entry decisions are a costly process, and if they are not conducted in an appropriate manner, the firm will be wasting its resources and would also jeopardize its capital investment. As a result before making this crucial decision, companies should conduct a cost benefit analysis of various methods of entry in the overseas market and should base its decision on the outcome of this analysis. It should be kept in mind that in some cases the most expensive and elaborate strategy for entering international markets may not be the most ideal in particular circumstances and more simpler approaches such as exporting could achieve better results.
- *Factors which contribute towards the entry mode selection for small firms in the coffee industry to start their business in the developed markets*-prospective businesses intending to expand into the UK market should also make a thorough evaluation of the strategies that their competitors have used in setting up their presence in the foreign country. By following this course of action international companies and firms can make an informed evaluation of the success of various market entry strategies and with the benefit of hindsight can take a reasonable and well informed decision.

5.3 Future Implications

With respect to future implications, this research study has provided both strategic and operational recommendations which are important and will go a long way in helping international companies evaluate numerous factors that need to be taken into account when entering new markets in foreign countries, in this case UK's coffee shop market. Moreover, this research paper adds a sufficient body of credible and reliable information and knowledge to the already extant literature on the several issues and challenges that international companies face when they make a market entry decision.

On account of the aforementioned reasons international companies will have to face fewer challenges when making entry decisions and as a result their efficiency and productivity will be greatly enhanced. In addition, future researchers can use this research study as a foundation and conduct further research studies which make an evaluation and analysis of various other factors and variables that are connected with the important decision of choosing a market entry strategy. The current research paper, on account of the convenience of the researcher, used a qualitative research design and used both primary data in the form of interview questions and secondary data. However, future researchers can alter the methodology of the research and undertake a quantitative design of research. With the use of primary data with a quantitative research design, future researchers will be able to include a greater number of respondents and as a result will be able to increase the generalizability of the research study.

5.4 Practical Implications and Contributions

The findings and conclusions derived from the research and its contributions are mostly focused on theoretical aspects. In the final sentences, the authors find it important to highlight some important practical implications and contributions to the future practitioners conducting research on the same topic. Although this study was conducted in the context of coffee houses in London the results of this study can be extended to other businesses as well as this study covers and analyses a range of factors that affect entry strategies into overseas markets. Moreover the findings of this study can be applied in the context of other countries and regions and are not restricted to London. The practical implication is necessary for managers regarding decision making of entry modes keeping in view the factors to reduce risk associated with entry mode selection. Furthermore, this thesis will educate students in Universities to realise how important are the entry methods for business expansion and what they require adopting an appropriate international strategy to work in foreign markets. Universities can start a separate course on teaching entry modes in the international market as students are more entrepreneurship oriented rather than job oriented which will eventually help them in their near future. Most of the start-ups are from student's side who do not want to rely on temporary and unpredictable jobs; therefore, they start their own business to be their boss.

Being the manager of a coffee shop, I would advise to first conduct a feasibility analysis of the market of the UK and understand the coffee consumption trends of the people in the UK. Since, in the UK coffee is consumed early in the morning so strategies should be formulated according to the consumption patterns of the people in the UK.

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Appendix A: Interview Questions

1. With respect to the notion of globalization, how important it is for an organization to expand their operations globally?

2. In terms of increasing competition is it ideal for an organization to undertake international growth strategies?

3. In your opinion what are some of the key factors that would lead an organization to enter an already developed market?

4. What are some of the challenges that smaller firms and businesses face while entering into an already developed market?

5. In contention with your experience, what are some of the key market entry strategies that could be used to venture into a developed market?

6. In your point of view, what are some of the key advantages and disadvantages of entering an already developed market?

7. Within the Coffee industry, what challenges did you experience, after entering an already developed market?

8. As a manager of an international Coffee Shop, what factors did you consider in order to select an appropriate market entry strategy?

9. What advice would you give to prospective managers of international coffee shops in order to aid their transition during the entry process within an already developed market?