

International expansion or stagnation: market development for mature products

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Abstract

Purpose – The purpose of this paper is to explore international market development for mature products and practices used in a novel business context.

Design/methodology/approach – Taking a qualitative approach, the case study method was chosen to investigate how firms develop markets in relation to a new international business context. Critical international decisions are analysed using a managerial perspective.

Findings – The success of international ventures depends on managerial learning and effectiveness. In this paper, the authors argue that decisions about international market development can add significantly to the understanding of how business firms enter and develop markets in novel business contexts. Two case studies show different approaches for meeting challenges in distant markets. Four propositions are developed.

Originality/value – A theoretical contribution of this study is the importance of factors that explain international market development decisions in novel business contexts. The balance between incomplete knowledge and making resource commitments is of central concern to international managers. Some of this is tacit knowledge that a firm achieves and learns during the process of market development and other knowledge can only become available after an actual market entry. A second theoretical contribution of this study is the significance of contextual market knowledge in a novel business context.

Keywords Business Strategy, International market development, Market Selection, Performance, Relationships

Paper type Research paper

Introduction

Even companies with a high degree of international involvement have to find new markets for mature products. A strategic option in this competitive situation might be an expansion into new foreign market areas (Andersen and Buvik, 2002; Sakaraya *et al.*, 2007; Hitt *et al.*, 2016). However, international expansion can take many forms and market selection is a critical factor for success (Andersen and Strandskov, 1998; Papadopoulos and Martin Martin, 2011). At the same time, competitive industries are changing rapidly and managers need to assess and understand these new contexts (Douglas and Craig, 2011). Boso *et al.* (2018) argue that managers are facing a dramatic shift from businesses located in industrialized economies in North America and Europe to growing markets in emerging economies, e.g. in Asia.

In line with Boso *et al.* (2018), we argue in this study that there are significant institutional differences between these economies in relation to laws, regulations and enforcement approaches. An underdeveloped infrastructure may also challenge firms in local markets. Building relations in new business contexts represents a further challenge. In this paper, we explore and discuss how market entry and business can develop in such new contexts. We argue that international market development decisions are strategic management issues and establishing international business ventures with mature products is a central managerial



task. Lack of knowledge and general uncertainty make this a critical management decision. In order to attract and retain customers, firms must emphasize the necessity of building long-term and profitable relationships (Ford, 1980; Altinay and Brookes, 2012).

Adopting a qualitative approach, this paper investigates the importance of factors that need to be taken into account when entering and establishing business in a novel business context. The purpose of this paper is to explore international market development for mature products and practices used in novel business contexts. The success of many international ventures depends on managerial learning and effectiveness (Johansson and Vahlne, 2003). There are numerous studies on the internationalization process (e.g. Fletcher, 2001; Whitelock, 2002; Leonidou *et al.*, 2010; D'Angelo *et al.*, 2013; Boso *et al.*, 2018), but few consider what occurs after entrance in emerging markets. The main emphasis will be on a review of international managerial decisions. Critical international decisions will be analysed using a *managerial perspective* (screening; assessment; selection; market entry mode; customer development). In their research, Figueira-de-Lemos *et al.* (2011) have found that among the difficulties facing a firm in its international market development the most critical constraint is the lack of market knowledge.

The balance between incomplete knowledge and resource commitment is of central concern to international managers in a novel business context (Figueira-de-Lemos *et al.*, 2011). The uncertainty may depend on the lack of awareness regarding regulations and legal requirements, the size of demand and the adequacy of products in meeting local requirements (Conconi *et al.*, 2016). One contribution of this study to the international business literature is a discussion of how companies find and develop markets for mature products, including an examination of factors that explain the practices used, an issue that has received less attention. A further contribution emphasizes the importance of acquiring actual market knowledge to understand contextual factors in a novel business context. Some of this is tacit knowledge that a firm will achieve and learn during the process of market entry. However, part of this knowledge will only become available after an actual market entry.

A managerial contribution arising from the study is that market incidents can have a severe impact on the strategy chosen and call for a revision. The context in this study is the paper and packaging industry, specifically products based on paperboard material. This industry is of importance for supporting marketing and packaging of consumer products in emerging markets. Customer needs for more tailor-made packaging solutions is a trend, which is driving development, and this requires presence in the market place. The rest of the paper is organized as follows: the next section is a presentation and discussion of a theoretical framework and research method; the findings in the case studies are discussed in the following section, and the last section contains a general discussion and the conclusions to be drawn from the study.

A theoretical framework

Market saturation and low growth make it essential to find new market areas for mature products. A key strategic decision is to determine which market to enter. A shift in economic activity from industrialized economies to businesses located in emerging markets requires a different market behaviour (Bortoluzzi *et al.*, 2014, 2018). However, foreign markets are highly diverse and their attractiveness and risks provide opportunities for different strategic decisions. Bortoluzzi *et al.* (2018) argue that resources supporting the development of competitive advantage differ from context to context, since markets are different in nature.

Within these contexts, management can strategically select and enter foreign markets with different possibilities for potential profits. This criterion is seen as a contingency variable that influences "international strategic decisions" (Ekeledo and Sivakumar, 1998; Whitelock, 2002). The market selection process has been explored extensively in prior research (Papadopoulos and Martin Martin, 2011). One research direction explains market selection by means of a screening procedure of the firm (Russow and Okoroafo, 1996; Andersen and Strandskov, 1998;

Brewer, 2001; Andersen and Buvik, 2002; Sakarya *et al.*, 2007). “Once the screening is completed, in-depth evaluation is necessary for foreign market entry and expansion decisions” (Cavusgil *et al.*, 2004, p. 607). On the other hand, a high market potential is not the same as high sales potential for a firm’s products. Boso *et al.* (2018) argue that “business environment conditions in emerging markets are unique and are in constant flux, with firms . . . deploying a unique set of marketing strategies never seen before in the developed world” (p. 203). Douglas and Craig (2011) have found in their research that even if screening is suitable in an initial stage, contextual factors provide important insights in assessing international market opportunities. Examination of contextual factors can provide a richer and deeper understanding of which markets to enter and segments to target (Douglas and Craig, 2011). Kaleka and Morgan (2019) argue that in the manufacturer export-marketing context, key marketing capabilities comprise the ability to understand the target market and transfer the acquired knowledge to market-related value outputs.

International market development – a business strategy approach

Different motives lead management to continue to internationalize their business. One motive is to meet a shift in economic activity to emerging markets with a higher market uncertainty which requires different marketing strategies (London and Hart, 2004; Govindarajan and Ramamurti, 2011; Sheth, 2011). The choice of a foreign market entry mode is an important strategic decision and determines a firm’s resource commitment and investment risk exposure (Hitt *et al.*, 2016) to a market. The business strategy approach builds on the view that foreign expansion is contingency-based where a firm chooses between different strategies in relation to market opportunities, internal resources and managerial philosophy and competence (Reid, 1983; Melin, 1992; Root, 1994; Kumar and Subramaniam, 1997; Gardner *et al.*, 2000). The contingency approach suggests that there is no general strategy for all businesses or companies, rather diverse strategies can be designed for different business contexts (Zeithaml *et al.*, 1988; Lee *et al.*, 1993). The effectiveness of a strategic choice is contingent upon particular internal and external forces in relation to a firm. Appropriate business strategies are those that match a firm’s resources and capabilities in relation to local market conditions and requirements. Important issues in international business strategy are market choice and decision-upon-entry mode (Johanson and Vahlne, 1977, 1990; Root, 1994; Cavusgil *et al.*, 2004). Applied in this research context differences in local markets stem from the industry and its characteristics. In their seminal paper, Kumar and Subramaniam (1997) argue that traditional models of the entry-mode decision discuss country- and industry-specific factors, as well as product- and firm-specific factors. In this study, we also consider institutional factors as important.

Country-specific factors refer to the economic environment in a host country and determine the formal and informal institutional context in which a firm can operate in an international market. The formal context can refer to political risks and regulation in an emerging market, whereas the informal relates to e.g. cultural factors (Lu and Ma, 2011; Laufs and Schwens, 2014; OECD, 2015). Lack of logistic and market infrastructure combined with certain forms of consumer behaviour might be difficult for Western companies to assess emerging markets (Bortoluzzi *et al.*, 2018).

Industry-specific factors relate to the characteristics that produce competition within a particular industry. In general, it is underlying structural differences that form a certain industry and rivalry among suppliers (Porter, 1979; Lee *et al.*, 1993). Several factors influence market structure such as size, nature of demand, fragmentation, complexity, concentration and relative size of suppliers and buyers. Knowledge of industry-specific forces provides a basis for formulating an entry strategy. The role of knowledge is fundamental in international expansion in any industry (Gulanowski *et al.*, 2018).

Product-specific factors are determined by a particular industry and product category where a firm is competing. Product-specific factors and characteristics are the integral features of a

product offering, either actual or perceived (Powers and Loyka, 2010). In some industries, economies of scale play an important role for a new entrant in either production, research or marketing. Knowledge of product-specific factors (e.g. technology; differentiation) in relation to competition can be of great importance in overcoming market barriers in a novel business context.

Firm-specific factors are related to the inherent resources and capabilities that exist in a firm. These factors are of particular importance for creating a competitive advantage in an international environment (Kaleka, 2002). Superior resources or skills are the main forces for developing a competitive advantage (Day and Wensley, 1988; Barney, 1991).

Institutional factors also influence the context and business environment. This dilemma has been discussed in the institution-based view of international business strategy. Peng *et al.* (2008) argue that “strategic choices are not only driven by industry conditions and firm capabilities, but are also a reflection of the formal and informal constraints of a particular institutional framework that managers confront” (p. 923). Institutions govern social transactions in relation to politics, law and society. A consequence of this is that nations and local markets differ in political risk which has an influence on market stability and foreign interest in investment.

The business strategy approach is based on management’s ability to assess an actual business context and develop a strategy that can match this environment. The primary focus is to coordinate and allocate resources and activities to specific business areas in relation to a firm’s objectives. However, emerging challenges from competitors as well as opportunities and threats from the international environment can influence formulated strategies and require a revision of planned activities. Rundh (2015) argues likewise that unexpected market events can influence the firm’s behaviour and international market development process.

Market development in a local business context

Market development can take many forms, one being product modification and innovation of the product concept. This can enable a company to penetrate existing market segments or reach new segments in overseas markets. “Expanding the business scope can help the organization achieve growth and vitality and can be a lever to cope with the changing marketplace by seizing opportunities as they emerge” (Aaker and McLoughlin, 2010, p. 5). Another is improving the market coverage and sales effectiveness of the organization. This can be supported by more efficient market communication supporting brand-building efforts or by promotion activities, i.e. trade shows, trade missions and seminars. In their research, Gerhardt *et al.* (2021) have developed a theoretical model of the market development process in three stages with different performance indicators at each stage. Kaleka and Morgan (2019) have also found in their research that exporting manufacturers seem to adopt a long-term stance in planning their overseas activities.

Customer development – creating customer value in an international context

In this study customer development is discussed in relation to product offerings made within the packaging industry, either in the form of a new packaging solution or by the adoption of new packaging technology in a new business context. Hakola (2013) argues that unsuccessful launches often originate from an insufficient understanding of customer-driven value. Customer value in business markets has been a key concept that many scholars have found of interest to study (Woodruff, 1997; Khalifa, 2004; Lindgreen and Wynstra, 2005).

In business-to-business markets, the knowledge of value and the value creating process is a basis for business market management (Hakola, 2013). Because of its prominence, value creation is a critical issue for any firm in business markets (Ulaga, 2001; Eggert and Ulaga, 2002). “Creating customer value is an interaction process in which firms and customer together create it through services, activities, and relationships” (Hakola, 2013, p. 650).

Grönroos (2000) argues that the focus of marketing is “value creation rather than value distribution”. This means that customers are interested in product benefits that help them achieve goals for their customers. This is in line with Woodruff’s (1997) value hierarchy model.

Relationship development in an international context

Relationship building has been of interest for many researchers, especially within the business management field (Flint *et al.*, 1997; Walter *et al.*, 2001). Early research conducted by Dwyer *et al.* (1987) discussed the process within buyer-seller relationships and Ford (1980) developed a model with five stages. In their research, Altinay and Brookes (2012) summarized “key similarities” from different studies and found the following stages: awareness, exploration, expansion, commitment and dissolution. In contrast with domestic operations, relationship building in an international context requires additional factors to be taken into account (Jia and Lamming, 2013). Boso *et al.* (2018) argue that “given the high levels of impairment of legal institutions, firms’ relationships with customers, suppliers, and employees tend to be governed by informal social contracts, which can be very difficult to quantify” (p. 204).

One important concern is the influence of cultural factors, since such factors can have an effect on each stage in the process. Difficulties in assessing such factors have also limited research in an international context. The complexity of culture is reflected in its magnitude of definitions (Craig and Douglas, 2006). However, it is commonly agreed that culture has three characteristics: it is learned; it is interrelated and it is shared when other members of the cultural group (Christopher, 2012) pass on cultural values. Lin (2004) proposes three levels of cultural adaptation: understand, adjust and adapt. Quer *et al.* (2010) argue that cultural factors are present and translate into customs and practices that executives must take into account when doing business with their counterparts. Trust and personal relationships are vital and there is a tendency that buyers have a long-term view as in China.

Interpretation of the literature

A strategic option (in relation to the focus on core competence, diversification, adding value in different ways, innovation) for firms experiencing market saturation is to search for new markets. One key strategic decision is to determine which market to enter, and another is to select a market-entry mode. A shift in economic activity from industrialized economies in Western Europe and North America to businesses with rapid growth located in emerging markets can require different market behaviour (Bortoluzzi *et al.*, 2014, 2018). Contributions from the literature discussed suggest that certain choices in international market development (market selection, entry mode) are more likely than others and are also dependent on the context in a market area (see Figure 1). In this paper, we argue that a

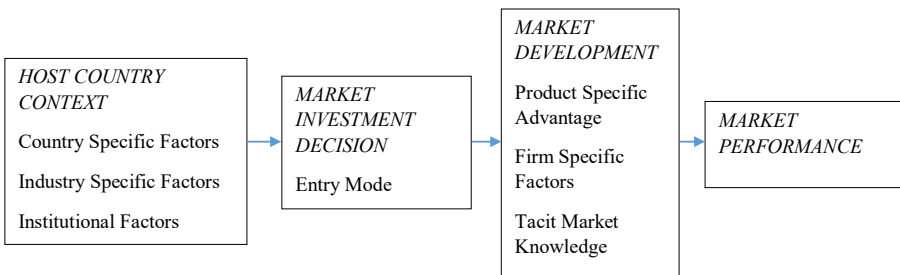


Figure 1.
A conceptual model

business strategy approach, which is contingency based, should be adapted for investigating the impact of factors on various market development decisions in a business context.

A business strategy approach gives management the opportunity to develop a marketing strategy that fits its market behaviour in relation to its capabilities and resources in a prevailing business context. At the same time, it requires the ability to assess the actual context. A contingency-based approach stresses the need to analyse the impact on performance in relation to international decisions in a specific business context. Building relationships in a new business environment is one important outcome. However, few studies have been conducted that investigate the performance of international market development decisions in practice. The discussion above has been a basis for developing the following research questions:

RQ 1. Which factors explain international market development decisions for mature products?

RQ 2. Which practices can be identified in a search for new markets for mature products?

Research design

In order to assess and to explore the international market development process for mature products in a novel business context, a qualitative approach was found to be appropriate. A qualitative research approach allows a selection of specific cases to address the research questions and this is of interest in providing an understanding of how and why something occurs in a particular field of interest (Meyers, 2010). The case-study method was chosen in order to assess and reveal how companies enter and develop markets in a novel business context (Yin, 2009). Another reason was the ability to capture practices, actions and interaction between a phenomenon and its context (Dubois and Gadde, 2002). The phenomenon in this study is how business firms enter and develop markets in novel business contexts.

Case studies are suitable for investigating and exploring business relationships and other subjects related to industrial marketing (Beverland and Lindgren, 2010). A qualitative case study provides tools for studying complex phenomena within their contexts (Yin, 2003). A major contribution provided by this approach is the ability to capture the dynamics of the studied phenomenon and provide a multidimensional view of the situation in a specific context (Eisenhardt, 1989; Järvensivu and Törnroos, 2010). The possibility of using multiple sources of evidence also contributes to the development of a holistic view of the situation in an industrial context. The case study has been found to be a suitable method for studying and examining how firms develop activities in new business contexts.

In a review of the case study method used in industrial marketing Piekkari *et al.* (2010) have found that, there are conflicting standards as to what is the “best practice of good case research”. In their review of marketing journals for the period 1996–2006, they categorized how authors have used the case study method by best practice, common practice and innovative practice. Some variables used as best practice included the selection of case phenomena based on purposive sampling, where cases included different types of data such as interviews, observation and archival records. The authors in the reviewed journals applied triangulation techniques for validation purposes. Pattern matching and constant comparison between data and theory often explain the process of data analysis.

Case selection

In this multiple-case study, we use “the best practice” approach and employ purposive sampling to find cases suitable for addressing the research aim (Patton, 2002). Purposive

sampling is a technique that enables the selection of cases that are information rich in relation to the purpose of the study. A basis for the selection of cases was that they are global actors within the packaging industry and function as innovators in the supply chain. We have also decided to use two cases in order to achieve a deeper understanding of the research phenomena with the opportunity of contrasting different solutions (exporting versus direct investment). Key informants about the project have been interviewed using an interview guide and official documents about the project have been used to complement the case stories. Areas that have been covered in the interview guide have included international history of the firm, product category, status of product, market selection, market entry, market structure, marketing strategy and obstacles in relation to market entry.

Data collection in the case study

An important ingredient in case study research is the option to use different sources of evidence. In this study, data for the case studies were collected from personal interviews, internal reports and documents from the Internet. Another source of evidence was observations at the domestic mill and interviews with sales people at packaging exhibitions. Participation in the exhibitions has enabled us to meet people from different areas in the sales organization and parts of the world. Interviews with managers at different packaging exhibitions have provided data in an open atmosphere since managers are more generous with information about the actual situation in relation to developments and problems in a market (easyFairs, 2013; Empack, 2014, 2016, 2017; Scanpak, 2015, 2018). This ensures that the phenomena are not only explored through one type of data, rather it allows for multiple facets of the issue to be revealed and understood. Various sources of evidence have also been used to achieve a triangulation of data (see Table 1). The findings are presented in the form of a comparison of data within the cases and also by matching data against theory. The discussion in this paper is therefore exemplified with cases.

Case analysis

In order to build a case story different sources of evidence need to be integrated in all phases of the case development process (Yin, 1994), which has required the use of a case study database. Interviews have been combined with internal documents and observations. After collection of the case information data, a cross analysis of the interviews was conducted to identify similar themes and patterns. The results from this first stage were then compared with internal documents and field observations. This data formed the basis for the case story. Yin (2009) argues that the unit of analysis is critical in any case story and in this study the unit of analysis was the packaging product in relation to the market-entry mode. In order to reveal possible similarities and differences between the two case stories (Yin, 2009), a cross-case analysis was conducted with the data being analysed at different stages. The results were then interpreted and summarized to form a supplier perspective in an international marketing context.

Table 1.
Sources of evidence in
the case studies

Sources of evidence	Used in the case study
Archival records	Annual reports; internal documents
Documentation	Market reports; sales figures; video clips, charts
Direct observation	Visit to the domestic mill; discussions with sales managers at six packaging exhibitions
Personal interviews	Interviews with project manager and 12 interviews with sales people; e-mail conversation
Physical artefacts	Samples of material; samples of packaging designs
Case study database	For organizing data from different sources

Quality criteria in the case study

A qualitative case study provides the opportunity to use different types of data, which enables the evidence to be triangulated. This makes it possible to achieve a holistic view in the case study. The literature suggests some techniques for improving the quality and especially the validity in case studies (Yin, 2009). One of them is to use multiple sources of evidence in the data collection phase to increase the construct validity (Riege, 2003; Beverland and Lindgren, 2010). In this study, we have used field observations, internal documents combined with interviews. Yin (2009) argues that a second tactic is to establish a chain of evidence, which has been addressed by combining these different sources during the data collection procedure. One way of addressing internal validity is “establishing phenomena in a credible way” (Riege, 2003). In this study, we have used pattern matching to reach that qualitative criterion.

Findings

The multiple-case study exemplifies an international market development process in a mature industry. The study shows how two firms have decided to increase their market activities in emerging markets in Asia with different market solutions. A major reason behind the decision to invest (Case A) in this emerging market area is contextual factors *and* customer behaviours in the local market area. At the same time management decided to invest and convert the products locally instead of exporting the added-value products from the Nordic countries. In case B the firm decided to meet new market demand in emerging markets by exporting its products mainly from the Nordic region. The two case studies show different approaches to meeting new market challenges in distant areas (see Table 2). However, demands from retail chains and brand owners have also forced the firm in case B to invest in a packaging design centre in the region. However, market requirements have forced both companies to be present in the local market.

Case A

The case firm is a global actor in the pulp and paper industry with manufacturing capacity outside the domestic market. The firm is active in the manufacture of pulp, paper products and sawn timber. The firm started its activities in Asia in 1985 and China has become the third largest country of operation in relation to the number of employees. Further investments will increase these operations. The main reason for investing in China (in relation to Europe) is the intention to get closer to expanding markets in China and Southeast Asia in order to meet a demand for “consumer packaging” from new groups of growing consumers (a growing middle class). In addition to the firm’s existing mills (two) and plants, the firm acquired a leading packaging firm in 2011, which manufactures and distributes packaging material for brand owners. A further investment was made in a project in the province of Guangxi in order to build a consumer board and eucalyptus pulp mill in 2014. The board mill started up in 2016. In 2012 the firm decided to sign an agreement to establish a joint venture (JV) in Pakistan. The intention behind the JV was not only to supply local customers in a fast growing market but also to provide other international customers in the region. The reason for expanding in Pakistan was to support key customers in “their growth ambitions” in Pakistan. The firm invested USD130m with an initial shareholding of 35% with a commitment to increase the shareholding to a conditional 50% at a later stage. The market for fibre-based consumer board is predicted to grow 9% annually in Pakistan. This can be compared with an average global growth rate of 2.4% for liquid packaging.

The main reason for investments in China and Pakistan is an attractive growing consumer market for renewable packaging materials, where Pakistan is the fourth biggest dairy market globally with a population of 182 million people. The JV includes a mill previously operated

Market/country attractiveness	Competitive strength case A	Competitive strength case B
Market size	Pakistan is the fourth biggest market for dairy products	High demand for food packaging products. Increasing living standards and a growing middle-class in Asia has made Asia the biggest packaging market (38%)
Market growth	New mill can meet market growth rate from customers and brand owners	Ability to meet growing market demand in Asian markets. One of the leading liquid packaging suppliers
Buying power of customers	Product to fit market demand	Product to fit market demand. Large retail chains invest in their own private labels
Market seasons and fluctuations	Dairy products have a rather stable demand	Packaging products within the food sector (e.g. liquid packaging) have a more stable demand than other sectors
Average industry margin	Contribution margin	Contribution margin
Competitive conditions	Ability to meet competitive intensity with know-how within product/market segment. Experience and knowledge in product segment for liquid products. Customer-led development	Key competitive advantages include fast, quality assured and reliable deliveries. Unique bank of knowledge and expertise (including customers and partners) to find solutions to complex packaging problems. There is competition from other packaging materials, mainly plastics. Customer-led development
Market prohibitive conditions	Technology position	Collaboration and partnership through the value chain (packaging manufacturers, global brand owners and major retail and supermarket chains) provide a depth of knowledge to meet requirements and overcome problems in chosen market segments
Government regulations	Have local partner in joint venture to support in relation to local regulations	Have a network of machine suppliers, packaging manufacturers, design agencies and researchers to offer innovative and sustainable packaging solutions
Infrastructure	Logistics satisfactory; energy supply challenging but will improve with investment	China is the biggest trading nation and Asia has become a centre for global supply chains assembling parts from many other countries
Economic and political stability	High market risk factor	Relative high market risk factor
Physical distance	Long physical distance; stable local partner Access to distribution channels	Long physical distance to market. Own subsidiary with expertise to offer packaging solutions for brand owners with global sales and manufacturing in Asia

Table 2.
Markets indicators in
the case studies

by the local partner mainly producing for the local market. The investment in the JV “makes it possible to grow with international customers and brand owners” says the financial director for the project. A major competitive advantage of the JV is that it provides a stable local partner combined with the firm’s broad experience of paper and board production; especially within the area of liquid packaging materials. A big challenge to production in the market has been the infrastructure e.g. support of energy where the JV is dependent on external suppliers. An investment programme is expected to improve the situation since the mill will rely more on its own production of energy.

Different market risks have been included in a “holistic analysis” of the project. The JV supply packaging products such as liquid packaging board, folding boxboard and corrugating packaging to local companies and other international companies in Pakistan. However, in July 2017 a new strategic decision was suddenly taken which involved disposing of its shareholdings in the JV. The main reason behind this decision was a changing business environment and market incidents related to sub-suppliers in Pakistan.

Interpretation: The case firm made an investment in a joint venture together with a local partner in order to gain proximity to a growing market area in Asia. An important advantage of the joint venture was the opportunity to work with a stable partner and grow with international customers and brand owners. The local presence enabled the firm to operate with a higher degree of flexibility in the converting process in relation to local customers than exporting from Europe. A new strategic decision was made when the firm decided to dispose of its holdings in the joint venture in Pakistan due to market incidents.

Case B

The case firm is a global actor in the pulp and paper industry with manufacturing capacity outside the domestic market. The firm is active in the manufacture of pulp, paper and board products. In 2014 major decisions were taken to increase production capacity, quality and environmental performance. The firm operates in the growing global packaging market where customer preferences for renewable materials and recyclable packaging materials is increasing and driving the market. Close cooperation with customers and partners makes it possible to develop innovative customized packaging solutions in the local market. The firm is working together with brand-owners and major retail- and supermarket chains to improve its activities in the value chain. The customer base consists of approximately 2,000 customers in more than 100 countries.

Market demand is mainly driven by global megatrends such as an increased focus on sustainability, changing consumption patterns by a growing middle-class and an increased urbanization requiring new packaging solutions. With Europe as the main market area 75% of the sales are within consumer-oriented sectors focusing on food products. However, emerging markets in Asia have gradually grown in importance for future business and the firm is strengthening its presence via its own sales and service offices in Singapore and New Delhi. They are also working together with 100 local sub-suppliers to design the best customer solution. The demand for food packaging is expected to grow 3.6% annually with an even higher growth rate in Asia, the Middle East and Africa. A key task in this respect is offering sustainable packaging solutions for protecting and preserving the content to a final customer in a supply chain. Asia has also become the largest packaging market accounting for 38% of the total global packaging industry in 2014. Furthermore, Asia has the highest growth rate and was expected to grow twice as fast as the global market generally until 2018. The market in China was expected to grow by 9% per year and India by 11% per year until 2018. The case firm has also provided the capacity to offer global brand-owners and retail chains with manufacturing capacity in Asia innovative and sustainable packaging solutions through its subsidiary specializing in packaging design.

A major consideration here is that such solutions can reduce distribution costs. Offering products with the right properties and qualities is good business but in order to build trust and lasting customer relationships “we achieve that by being flexible and resolving customer problems” (Manager Customer Service). The firm’s approach is based on collaboration, exchange and continuous improvement on a daily basis always with a focus on the customer.

Interpretation: In case B the firm exports products to the local market area mainly from Europe, but they also buy material from local suppliers for further conversion and added value processes. This gives the firm an opportunity to choose the best customer solution based on the material properties. A decision to develop a service centre in Asia also contributes to market development in the region.

Discussion

An important factor emerging from this study is management's strategic need to develop markets for mature products. An opportunity for market development seems likewise to overrule the risks and uncertainty behind a market entry. The multiple-case study reveals different management approaches to finding new markets and meeting demand in emerging markets. Previous research shows that the ability to find and screen markets on a global basis depends largely on the conception that potential markets can be assessed by comparing and evaluating different characteristics of each country (Russow and Okoroafo, 1996; Sakaraya *et al.*, 2007). The international business literature is to a great extent in favour of using market size and variables when describing the level of economic development to identify potential markets (Russow and Okoroafo, 1996; Andersen and Strandskov, 1998; Brewer, 2001; Andersen and Buvik, 2002; Sakarya *et al.*, 2007). This can often be combined in multiple stages of assessment in relation to specific market factors.

The results from case study A shows that management has followed a more pragmatic than formal procedure, where a number of "principal factors" (market indicators) have been the key feature behind the decision to invest in a JV. In case B, management is meeting customer demand through local sales and design facilities, exporting the firm's products from European mills. Albaum and Duerr (2011) argue that market selection cannot be based only on marketing grounds since "considerations of the firm's skills, capabilities, and goals require that the market selection process has to be placed in the context of an overall strategy" (p. 263). We argue that such factors refer to the context in the market. This is in line with Douglas and Craig (2011) who argue that even if it is appropriate to use macroeconomic data in an initial screening of countries, contextual factors can "provide important insights in assessing international market opportunities" (p. 150). Investigation based on contextual factors "helps to shed light on heterogeneity within countries not only in customer behaviour, but also in the nature of the market structure" (Douglas and Craig, 2011, p. 150).

Country-specific factors

The main reason for the investment in a JV in case A is a growing market for dairy products. Another important factor has been the possibility of developing a better relationship with the local partner, and to build stronger relationships with sub-suppliers to the JV. A relational approach has also been viewed as critical for the success by previous research (Leonidou *et al.*, 2014). The investment-entry mode involves different kinds of risks in relation to the local market. A fragile infrastructure e.g. supply capacity of electricity contributes to an uncertainty regarding supply to customers in the market. The distribution system is also delicate. Political and economic risks contribute to the decision to work up a JV in case A. Market opportunity is also a main driving force in increasing exporting efforts in case B. On the other hand, weaknesses in infrastructure and different business risks affect both case firms.

- P1.* The host country determines to a great extent the institutional context in which a firm can operate.

Industry-specific factors

Two vital management areas are involved in the planning of international operations. One is production and the other is distribution. The inherent industry-specific factors affecting business in the paper and packaging industry are various and related to the structure in the local market. The underlying structural dimensions in the local market, irrespective of whether they are related to the supply of raw material, or the distribution of products from a factory, will have a direct effect on the ability to establish an efficient production unit.

Industry-specific factors related to the local industry have been a disadvantage in case A. Local competition is often based on supply with lower qualities. New and higher demand on packaging from e.g. the cosmetic industry underpins the need for high quality material. Supply to the market requires an efficient logistic system in all stages of a supply chain, which is a necessity in case B.

- P2. Knowledge of industry-specific forces provides a basis for formulating an entry strategy.

Product-specific factors

Product development and innovation form the basis for meeting customer demand and competition with regard to packaging materials. A unique opportunity to meet local demand at a higher service level contributes to the decision to set up a JV in case A. Management is also in a position to use local suppliers for certain customer requirements and customization with other paper qualities. This speeds up delivery time and service level in relation to local customers. Another factor is the capacity to cater for smaller order sizes. This gives management the possibility to overcome diverse political and economic risks by working together with a local partner. The development of a local design centre has been an attempt to meet customer requirements in a more efficient manner in case B.

- P3. Product specific factors (e.g. technology; differentiation) in relation to competition can be of great importance in overcoming market barriers in a novel business context.

Firm-specific factors

Firm-specific advantages refer mainly to inherent technological know-how and international market experience. Integration and control over the supply chain are an added advantage in relation to its market rivals, whereas the main market-specific advantage is a growing market for packaging materials in relation to other market regions. From a management perspective, market attractiveness ought to be considered in relation to the risks in the market. High market attractiveness in combination with a high risk is associated with a market uncertainty, whereas a low risk and high market attractiveness can be considered a market opportunity for a firm. Low market attractiveness in combination with a high risk can also be considered as a high-risk market for further investment. In this study, management in case A is developing activities in relation to a market with uncertainty. One reason for this alignment is the fact that the market has a high growth rate (9% in comparison with 2.4% globally), although there is considerable market risk due to uncertainties in the infrastructure and the society in general.

Different credit rating institutions (OECD, 2015) rate the market risks as high [Moody's Outlook = Negative; Organisation for Economic Co-operation and Development (OECD) gives Pakistan a rating of 7, whereas Nordic countries = 0]. Such market risks have obviously been included in a holistic view of the investment in the market. In case B management has chosen to develop its market activities by exporting products to the region but with increased co-operation with actors in the supply chain. An important factor is the knowledge base that the firm has with its partners and customers in other parts of the world. The risk of exporting is lower than using an investment-entry mode to the market. The OECD (2015) credit rating for export to China is moderate (=2).

However, an increased interest in this emerging market has required another type of investment in a sales subsidiary and a centre for packaging design to meet new packaging demands. Such investment involves other kinds of risks in relation to an emerging market. At the same time new relationships need also to be developed with local actors, especially in a

high-context culture like China. A new business context and hidden obstacles also contribute to a certain market uncertainty in case B. The firm-specific advantages refer mainly to the inherent technological know-how and international market experience about the supply chain, whereas the main market-specific advantage is a growing market for packaging materials in relation to other market regions in the world. This study highlights the importance of market screening and selection procedures.

P4. Inherent resources and capabilities are the basis for achieving a competitive advantage.

Market development decisions

In case A, the firm has chosen to make the entry into an emerging market area by investing in a JV for the local production of packaging materials for the food industry. This solution gave management local production facilities and converting capacity to develop greater flexibility in meeting customer demand. Local stock facilities and improvement in the distribution system also contribute to a higher service level to customers. Working in the local market with a partner also made the development of a deeper relationship with the local partner possible. Even if the firm previously had some experience with the partner, a closer relationship required management to overcome different cultural factors from a national to an individual level (within a high-context/collectivistic culture).

In case B, management has chosen to export products and build relationships with different actors in its supply chain. An important competence in international relationship development is the ability to *communicate*. Griffith (2002) argues that managers who possess the necessary competencies “to develop new communication and cultural environments within their relationships are able to establish effective and efficient communication exchange conditions” (p. 261).

On the other hand, the results from case study B show that even exporting requires that the firm to invest in a local sales office and a packaging and service centre to meet the requirements of brand owners and retail chains for innovative and sustainable packaging solutions. *Co-operation* and relationship building with machine suppliers, packaging manufacturers, design agencies and researchers at universities also support the firm in its global reach with packaging solutions. A high-context/collectivistic culture can also put pressure on the firm to find solutions to meet the requirements in the local business culture for building necessary relationships and *guanxi* with key actors (benefits gained from social connections). Guanxi refers to social connections and usually extends to family, school friends, workmates and members of clubs or organizations. It is customary to cultivate an intricate web of relationships, which may expand in a huge number of directions and include lifelong relationships. Reciprocal favours are the key to maintaining a guanxi web (Ling, 2015). Kriz and Fang (2003) argue that success in China is built on interpersonal xinren (deep trust) and not, as most suggest, on guanxi (connections, personal contacts, relationships). They suggest that guanxi tends to open the door but it is xinren that helps make a deal. Xinren in essence is limited to only a smaller number of immediate familial ties and deep friendships.

Market performance

Packaging is an essential item in every household in developed countries and with a growing disposal income for people, this has become the situation in emerging markets. The market for global packaging reached USD812bn in 2014 with an annual growth rate of 4.2% during the period 2010–2014. According to a market report by Smithers Pira (2016), Asia accounted for the largest share of the packaging market followed by North America and Western

Europe in 2014. The packaging industry was expected to grow at an annual rate of 3.5% between 2015 and 2020 and 3.9% between 2022–2027. This growth is expected to be driven by Asian countries. A growth in the consumption of packaging materials has remained strong for regions in Asia and the potential for further growth is expected through an increasing consumption of consumer goods. Rapid changes in technology are also driving the growth of specialty papers e.g. for the cosmetic industry.

Market opportunity is also the main reason why the two case companies have the strategic intent to increase their activities in the Asian region. The outcomes show differing performances for the case companies, which can be related to the decision regarding entry mode and marketing strategy. Both companies are striving to increase their business in a growing market area which is also influencing market development for the actual products. The concept of performance in international markets is subject to controversy and many criteria have been proposed in the literature (Kaynak, 1992; Calantone *et al.*, 2006). The first direction is quantitative and is based on criteria that measure e.g. export ratio, volume of export, market share and number of countries involved among others. The other direction is qualitative in nature and involves e.g. international reputation, quality issues and service level to customers. One important performance indicator is the volume of products delivered and market share. Other indicators are profitability of delivered products and service level to customers. The investment strategy in case A works in China, whereas the JV in Pakistan had to be terminated due to problems with sub-suppliers. In case B, the exporting strategy is performing according to management plans and the firm has been able to increase its market shares. Profitability criteria are met in both entry modes.

Conclusion and implications

The general contribution of this paper lies in the exploration of factors underlying decisions regarding international market development for mature products. Previous research has focussed on for instance the internationalization process (Leonidou *et al.*, 2010), or conducted an examination of firms' export performance and factors that are associated with export success (e.g. Leonidou *et al.*, 2014; Pinho, 2016). This study sheds light on an area facing management in mature industries. Another contribution is the identification of practices in the search for novel markets for mature products. Even if the case companies have been exporting to emerging markets, market conditions have called for new solutions. A major reason for increasing market development in Asian countries is an expanding market area even if this includes a greater business risk. One important factor for the interest in this business area is a growing middle class with new consumer behaviours requiring more functional packaging solutions and better quality. The possibility of achieving market growth in emerging markets in relation to stagnating markets in other regions supersedes market uncertainty arising from economic and political risks. From a managerial point of view, this study supports previous results on the importance of understanding contextual factors in a new business environment (e.g. Douglas and Craig, 2011).

Contextual factors can not only relate to the general business environment but also to a specific consumption situation or occasion. An in-depth examination of contextual factors helps managers to make better decisions by understanding the diversity of consumption patterns both within and between diverse countries. The results in the case study also support the argument that a better understanding of contextual factors at different aggregation levels provides management with information for designing product packaging, pricing, promotional and distribution decisions adapted to contextual differences between and within markets. Another distinction is management's interest in a new strategic intention when establishing an investment in new regions outside the main markets in Western Europe.

In the long run, such investments can have a negative effect on export from the Nordic countries. From a managerial point of view an investment can be the only way to overcome obstacles to increasing business in emerging markets. At the same time it also requires management to build necessary relationships with local actors in a high-context culture. Different layers of culture influence the individual decision-maker in such a way that national culture influences the values of the business/industry culture, which in their turn influences the individual firm. In a high-context culture, which is “relationship oriented” it becomes a necessity to build relationships before “making a deal”. A high-context/collectivistic culture also influences the communication between actors and demands an indirect and implicit communication. This can create misunderstandings in a message between actors. The importance of managing the communication process in a firm’s international partnerships is obvious and can contribute to the development of its relationships in the face of incongruence between national and business/industry cultures.

Implications

This study’s essential contribution to the international business literature is how companies develop markets for mature products, an issue that has been discussed to a lesser extent in previous research. Sakarya *et al.* (2007) argue that “companies in general prefer to enter markets that rank high in attractiveness, low in market risk and where they can enjoy a competitive advantage” (p. 229). This fails to account for the dynamism and future market potential in emerging markets. An emerging market can offer a growth opportunity that no longer exists in developed markets. This study contributes to the selection process and discusses *practices* that explain how to find new markets for mature products. A second theoretical contribution from this study is the significance of *contextual market knowledge* in a novel business context. Douglas and Craig (2011) have stressed the importance of contextual factors for assessing international market opportunities. However, some of this is tacit knowledge that a firm can acquire during the process of market entry. To some extent, other aspects of this knowledge only become available after the actual market entry. Firm specific resources and capabilities are not enough. International market development requires managers to make decisions involving resource commitment while still lacking some market knowledge. An important issue is the acquisition of market knowledge *per se*, but also making decisions while lacking knowledge in emerging market areas.

A managerial implication from the study is the necessity to assess the business context and have the necessary *knowledge about institutional conditions* in a local market before making an entry mode decision. Another managerial implication is that *market incidents* can have a severe impact on the chosen strategy and call for a revision. A further point is the need to build *essential relations with local actors*, e.g. strategic partners such as sub-suppliers of electricity since this can be a scarce resource in emerging markets. A fourth implication is to work up necessary contacts with local authorities to obtain the required permits and social relations with decision makers. An additional implication relates to cultivating the market development process. This study underlines the importance of cultural knowledge and of assistance from local actors in contributing the necessary experience to overcome cultural and administrative barriers.

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