Swedish Music and Fashion – a Global Passion?

Swedish Born Globals: Where do they go and why?

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Acknowledgements

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Abstract

This Master Thesis discusses the phenomenon of Born Globals, i.e. companies which internationalise at an early stage and view the whole world as their playing field. Most definitions of Born Globals only regard the international output of a company. We have chosen to consider the international input as well. The definition of Born Globals used in our study is: ‘a firm that from its inception derives competitive advantages from the use of resources and the sales of outputs in multiple countries’. These are the research questions:

1. Which countries/markets do the Swedish Born Globals trade in, input and output?
2. Why have the companies entered these countries/markets?
3. Does culture influence the decision of which countries/markets to go into? How?

A purpose of this thesis is to contribute new knowledge within this subject. And since most research about Born Globals has been focused on the high-technology sector, we have as an alternative, selected two industries within the Experience Economy; music and fashion.

We examined research question number 1 through a quantitative process; a telephone survey including ten Swedish Born Global companies from each industry. Furthermore, we approached research questions 2 and 3 through a qualitative manner using in-depth interviews with two companies from each industry. Theories chosen for this thesis are: the Uppsala School, the Transaction Cost Analysis, the Network, the Born Global, the Social Capital, the Marker Size, the Push and Pull and the Country Cluster theories.

In conclusion, the largest output countries for the music business are Germany, the U.S., Japan and England. On the input side, the most common markets are England/UK, the U.S. and Germany. In the fashion business, the most common markets for output are Denmark, Norway, Finland, Germany, England/UK, Greece and Japan. The largest markets for input are Portugal, Italy and China. The music companies put forward a number of reasons for the most common output markets: openness to new music, large market potential, geographical closeness, similar music style, contacts and the use of a country as a “springboard” to enter other markets. The fashion companies gave a number of reasons for the most common output markets: geographical and cultural proximity, networks and similar fashion style. Reasons on the input side are: history in textile manufacturing, flexibility, quality, contacts, networks, coincidence, reputation and low cost. All respondents agreed that culture influences the decisions of which countries to enter as well as which markets to stay away from.

In the Final Discussion we have presented an inductive model called the Born Global Four-Fielder. This model considers the international input and output sides equally important.
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1. Introduction

In the first chapter of the thesis, we will introduce the background of the subject Born Global, look at previous research of the topic, present the Problem Discussion, provide our Research Questions, explain the Purposes, state the Demarcation and finally, give the Outline Of The Thesis.

1.1 Background

During the last few decades the globalisation process has strongly influenced the business environment. It has opened the door to new possibilities for companies willing to adjust to the New Economy. These companies have gained advantages such as rapid expansions, low-cost production and so forth. These companies have been around to see the globalisation development and have chosen to go along with it but there are also companies who have started up as a result of the globalisation and have taken its advantages to the full extent. These kinds of companies are called Born Globals.

Definition: A Born Global is a company, which have reached a share of foreign sales of at least 25% within three years after their birth and, from inception seeks to derive significant competitive advantage from the use of resources and the sales of outputs in multiple entries. (Andersson, et al. 2003)

Most definitions of Born Globals (from now on called BGs) only regard the international output of a company. These do not take global input in consideration. When firms, for example, buy material from abroad or import products/services, they are global players without having foreign sales – output. This would mean that almost every company are BG, since the majority buy some of their input from other countries. It is more common for companies to measure and use the percentage of foreign output than foreign input. But, the international input must not be forgotten when discussing the concept of BGs. Companies must have the right mindset and attitude to be a BG. They have to see the whole world as their playing field, whether they use foreign input or foreign output or both. Because of this, we have decided to select another relatively similar, but not as widely used definition of BG companies.

Definition: ‘a firm that from its inception derives competitive advantages from the use of resources and the sales of outputs in multiple countries’. (McDougall, et al. 1994)

Our interpretation of this definition is that it regards not only the output side, but also the input side, since it mentions “…multiple countries”, where the traditional description only states “…multiple entries”. The one focusing on multiple countries is more compatible with
our purpose because we are interested in both the input and output sides. Moreover, this
definition does not focus on a percentage for the output, which is suitable for our study as we
focus more on the mindset and not only on the figures.

The rapidity and intensity of internationalisation are the two key parameters of the BG
phenomenon. The BG companies internationalise much earlier than traditional companies and
the duration of the internationalisation process is also shorter. In order for companies to
survive and grow in today’s competitive environment, the ability to engage in international
activities has become more and more important. Time is also a vital factor. Therefore,
companies have to act quickly and grab “the window of opportunity” before it is too late.
(Saarenketo, 2002)

In the past decade, international trade has increased significantly, which also has led to
increased cross-border contacts between people. Because of this, we cannot ignore the fact
that people within and around multinational companies have different values and manners due
to cultural diversity. Since BG companies run their business in various countries, cultural
differences strongly influence their every day work.

Both authors study at the International Business Academy and have a great interest in
internationalisation and cross-culture business. Our choice of subject, Born Globals, felt
appealing since we had been introduced to the topic in courses about international business
and wanted to investigate the phenomenon further. The fact that BGs is a field where little
previous research has been conducted made the subject more challenging and interesting.
On the 12th of October, we attended The Sweden – U.S. entrepreneurial forum to get a
glimpse of what is going on in the area of international entrepreneurship. By listening to the
discussions raised we realised that the subject, Born Globals, is indeed relevant today. Still,
not everyone was familiar with the concept, so it seems there is a need to cast some more light
on the issue. This made the subject of BGs even more interesting to investigate. It was also
rewarding to see that what we learn at the University is up to date and applicable in the real
world of business.

1.2 Problem Discussion

In this thesis, we will not deal with one specific problem. Yet, we can spot one area, regarding
the BG concept, that needs more attention than others; lack of research. The majority of
studies made have concerned high technological BGs. Hardly any research has been made
about different industries, such as the contemporary Experience Economy. For that reason, we
would like to focus on a different field of business to widen the scope of research accessible.
The *BG Theory* is a fairly new internationalisation theory. It describes a possible way for companies to go international; consequently it offers help to new companies in how to adjust to the new global economy. Accordingly, the problem bearer in this case would be the companies choosing their future internationalisation strategy.

Since the preceding internationalisation theories appear to be outmoded, the *BG Theory* is starting to take a foothold as an improved and more contemporary theory. However, the theory is not flawless and even before it has been accepted as one of the major internationalisation theories, it seems like the *BG Theory* is partly out of date as well. The fact that the traditional BG definition does not take into consideration the input side of the production process makes it receptive for critique.

### 1.3 Research Questions:

When we use the phrase Swedish BGs below, we mean the companies within the chosen industries: music and fashion (see 1.5.1 Choice Of Industry).

1. Which countries/markets do the Swedish Born Globals trade in, input and output?
2. Why have the companies entered these countries/markets?
3. Does culture influence the decision of which countries/markets to go into? How?

### 1.4 Purpose

Our thesis has several purposes. Firstly, we have a descriptive purpose since we are going to examine where the Swedish BGs do business. Secondly, we have an explanatory purpose as we will explore the reasons why they have entered certain markets and if cultural differences influence their decision. Another purpose of this thesis is to contribute new knowledge within this subject, since relatively little research have been conducted.

### 1.5 Demarcation

Most research about the BG phenomenon has only covered the information and communication technology industry, where firms often have high upfront R&D costs but operate in narrow global niches. Therefore, we would like to investigate other sectors such as the Experience Economy. The first BGs were mainly high technology and knowledge intensive companies. But today there are other sectors too, which have not been examined to the full extent. In other words, there is still a lot of information about these industries to be collected and analysed. (Saarenketo, 2002)
1.5.1 Choice Of Industry

Today there is a lot of focus on the so-called Experience Economy. Industries considered to belonging to the Experience Industry are: tourism, media, food industry, fashion, marketing, literature, movies, education, music, architecture, design, theatre, and art. In our society, where everyone is fighting to get attention, there is a strong need to diversify the company’s products from others. This is where the Experience Economy comes in and offers an increased value on top of the basic function. An example of this is a mobile phone with attributes like special design, games and mp3 player. (National agency for higher education, 2005)

In 2004, the total contribution from the Experience Economy to the GNP in Sweden was 4.7 per cent, an increase with 27 per cent over five years. Even though this is an increase, it seems like the Experience Economy is hit harder by recessions than other industries. (National agency for higher education, 2005) Therefore, in our opinion, it is even more interesting to take a closer look at the Experience Economy today, when it seems like we are heading towards an upward economic trend where possibilities to expand within this industry increase.

In some earlier studies on high-tech BGs, a suggestion was put forward to further investigate other lines of businesses. Two specific areas have been proposed, explicitly the fashion- and music businesses. “In a Swedish context I think it would be interesting to find out more about important and quickly developed areas: the music industry and fashion. Both of these lines of business have an international focus from inception and a global perspective.” (Valentinsen, 2003) These two industries are part of the Experience Economy but are placed in the larger industry category of Merchandise, hotel and restaurants by Statistiska centralbyrån. (SCB, 2005) This is a very wide category, thus we have chosen to limit ourselves to fashion and music.

Pre-existing personal contacts also helped determent the chosen industries. Within the music field, we have friends with a great deal of knowledge and contacts which can help us to find suitable respondents. As for the fashion industry, we both possess some basic knowledge and more importantly - personal interest. Aside from our own personal contacts, our supervisor, Staffan Gullander, also has connections within these two areas.

We decided to take a closer look at two different industries in order to make a comparison between them. We believe that it is of interest to find out if there are any similarities and dissimilarities between BGs in industries which are both part of the Experience Economy.
1.6 Outline Of The Thesis

Figure 1: Flow diagram of thesis structure

In Chapter two the chosen methodology is presented and discussed. We have also described the Performance of Investigation.

Chapter three consists of the theoretical framework chosen for this thesis. It contains the most familiar internationalisation theories, the BG Theory, the Social Capital Theory, the Market Size Theory, the Push and Pull Theory, and the Country Cluster Theory.

In Chapter four the empirical results are presented. Firstly, we describe the choice of industries and their characteristics. Afterwards we present a summary of the results from the telephone survey. Lastly, the in-depth interviews are offered.
In **Chapter five** the empirical results are analysed according to the theoretical framework. This is done by first analysing the telephone survey, industry by industry. After that we move on to the in-depth interviews with the same kind of approach. We are also cross analysing the two industries.

**Chapter six** includes the conclusions and recommendations of this thesis.

Lastly, in **Chapter 7**, we present a final discussion where we comment on some of the results, introduce the inductive model: *The Born Global Four-Fielder*, discuss the general applicability and provide a critical view of the thesis, followed by suggestions for further research.
2. Methodology

In this chapter, we will present our choice of Scientific Approach, Research Method and Theoretical Application. We will also describe the Performance Of Investigation as well as go through the Reliability and Validity, and finally we offer an Alternative Method.

2.1 Scientific Approach

We have chosen to have both a positivistic and a hermeneutic approach in this thesis. When working on research question number 1: “Which countries/markets do the Swedish Born Globals trade in, input and output?” we will try to look at the data as an outside observer without the influence of prior values. This means looking at information in a positivist way. (Lundahl & Skärvard, 1992) For research questions number 2 and 3: “Why have the companies entered these countries/markets?” and “Does culture influence the decision of which countries/markets to go into? How?” we will use a hermeneutic method. This means accepting that knowledge is not free from values and that the ways you interpret facts depend upon previous experiences. Here the connection between the single parts and the whole is important to get an overview. (Gustavsson, 2003)

2.2 Research Method

2.2.1 Secondary Data

Firstly, we went through some statistics from ITPS (Institutet för tillväxtpolitiska studier) to find out what different industry sectors Swedish BGs belong to and the sectors’ BG percentage. These statistics are secondary data, i.e. information that originates from earlier research or other published sources. Secondary data is information that has not specifically been gathered and developed for an explicit study and may be revised to better suit the purpose of a thesis. (Gustavsson, 2003) In our case, it meant choosing certain parts of the earlier conducted research material from ITPS and using that as one step in our investigation.

2.2.2 Primary Data

Primary data is information that originates from field research encompassing techniques such as observations, interviews, experiments and questionnaires. (Gustavsson, 2003) Our primary data includes both a quantitative telephone survey as well as qualitative in-depth interviews.
2.2.2.1 Quantitative Research

We examined research question number 1: “Which countries/markets do the Swedish Born Globals trade in, input and output?” through a quantitative process. We conducted a telephone survey including 20 Swedish BG companies using a questionnaire (see appendix A). Also, we carried out a more comprehensive study, which includes research questions number 2 and 3.

2.2.2.2 Qualitative Research

The qualitative part of the empirical collection process consists of research question number 2: “Why have the companies entered these countries/markets?” and question 3: “Does culture influence the decision of which countries/markets to go into? How?” These questions have been approached in a qualitative manner. We have chosen the qualitative approach to be able to get a deeper understanding of the subject. This is possible because the collected data is not limited by predetermined analysis categories. (Gustavsson, 2003) Once the quantitative research was collected, we used that information to develop a qualitative interview guide. We interviewed four owners of companies within the chosen industries. Finally, we analysed the gathered interview data and tried to introduce the results in an inductive model.

2.3 Theoretical Application

An inductive evaluation approach means that the surveyor tries to understand the circumstances without prior opinions about the situation. Inductive research starts with observations and aims to build patterns from this. (Patton, 2002)

The opposite of induction is deduction, which begins with exact research and hypotheses before collecting data. The evaluator initiates the study from commonly accredited studies with the purpose of studying the reality. (Trost, 1997)

We use abduction, which could be seen as a combination between induction and deduction. There is a reciprocal action between theory and empirical findings. When analysing empirical data, it can be combined with preceding theories acting as an inspirational source. This means that a theoretical framework will be composed by the phenomenon the thesis deals with. (Garsten, 2003)

In this thesis we started by looking at some theories regarding BGs. We then looked at the reality through statistics and by conducting a quantitative telephone survey. The next step was to go back to theories and prepare an appropriate interview guide for the in-depth interviews, using the theories as well as the collected statistics from the telephone survey. The final step was to use induction to introduce a new model from the analysed results.
2.4 Performance Of Investigation

Bellow follows a description of how we gathered and processed information, carried out the telephone survey and the in-depth interviews. Since we have chosen to write this thesis in English, some of the theories and empirical data are freely translated from Swedish into English. Considering that all companies we have interviewed are Swedish, all communication was in Swedish to ensure a more relaxed manner.

2.4.1 Preliminary Investigation

We attended the Sweden – U.S. Entrepreneurial forum on the 12th of October 2005. At this conference the subject of entrepreneurship and globalisation was discussed. There were entrepreneurs, researchers, teachers, students and representatives from governmental institutions present. After speakers had shared their experience and thoughts on today’s challenges in entrepreneurship in Sweden, everyone was invited to ask questions and discuss. Not only did we get up to date information on what is happening in the world of entrepreneurship, but we also networked amongst the delegation, which would prove to be important for the data collection process of this thesis. We spoke with the representatives from ITPS, whose statistics we have used for this study.

2.4.2 Industry Sectors

We had a telephone conversation with Lars Sundell, an analyst at ITPS who informed us that they had a report available on their web site (ITPS, 2005), which could be of use for our thesis. This study was a 3-year follow-up, reporting the developments of Swedish companies that had started up in 1999. After having studied that information, we carried out calculations to find out the percentage of BG companies within the different industry sectors.

2.4.3 Telephone Survey

Our next step was to locate around 20 companies within the chosen sector, Merchandise, for a telephone survey, in order to find out what markets/countries, outside Sweden, they have output to or input from. We used quota selection when choosing companies for the telephone survey. This means that the population often is unknown, which is the case in our thesis since we do not know all possible BGs within the chosen industries. When using quota selection, a desired population of research objects are selected (companies) and those who choose to take part in the survey are examined until the predetermined quota is filled. We decided to have ten companies from each chosen industry; music and fashion. We received help from Sara Lönnroth, a fashion specialist, at Moderådet in locating companies within the fashion industry and Jan “Lunkan” Lundqvist, music expert and Johan Öhlund, former record company owner, provided suggestions of suitable music companies to contact. Further internet-based research
helped find more Swedish BGs within music and fashion. In our case, all companies we asked to participate in the survey agreed to take part, thus we have a zero drop-off percentage. By using quota selection, not everyone in the population had the same chance to partake in the survey therefore this selection process is a non-representative method. (Gustavsson 2003)

The telephone survey was conducted from home. We called the companies’ head offices and presented ourselves and described our purpose. If the founder did not answer the phone herself/himself, as is the case in some smaller companies, we were usually guided to the “right” person to speak with, i.e. someone who knew about the company’s foreign sales and purchases. The questions were asked according to a prepared questionnaire. After collating the telephone questionnaires, we made a very brief presentation of each company (see appendix B). We provide a summary of both industries in the empirical results (see 4.3).

2.4.4 In-Depth Interviews

In this thesis we have also chosen in-depth interviews. That means interviews with a high degree of structure but a low degree of standardisation. We, as interviewers, had a clear picture of what questions were relevant but the questions were not the same for all respondents. In the interview guide, differences were made between the industries and the companies’ current situations. It is important to note that there are no questions with fixed answers. As the interview processed, we asked more unstructured questions and followed up on them with more questions. In this way, the respondent was able to develop the dialogue. Ideally, we got direct quotations that describe the respondent’s experiences, opinions, feelings and knowledge. (Johansson-Lindfors, 1993)

Out of the 20 companies participating in the telephone survey we wanted to select two from each industry for our in-depth interviews. To ensure that the credibility of the investigation would be as high as possible we wanted the respondents to represent companies in different stages of the life cycles, different sizes and with different types of operations. During the survey some people were more interested and talkative than others. We also took this in consideration in the selection process for the in-depth interviews. Since we wanted the interviews to be performed in a relaxed manner, these more talkative respondents seemed to suit our needs the best. In the music industry we have chosen Imperial Recordings, a rather small record company with few artists and then Lights Out!, a newly started company led by a man who has been in the business for a long time. Lights Out! has numerous business branches. There is Encore, a quite large company in the fashion industry, and Fifth Avenue Shoe Repair, a small, rather unknown, young company in the same industry.

The in-depth interviews took place in the respondents’ offices to make them feel relaxed and therefore they may have provided more sincere answers. The interviews were carried out with the help of a prepared interview guide based on the theories chosen for the study and the
results from the earlier conducted telephone survey. We chose to base the interview guide partly on the telephone survey to give the respondents a chance to react on the answers collected during it. Our motive for doing this was to check how accurate the telephone survey statistics were.

![Diagram](image)

**Figure 2: Selection process**

### 2.5 Reliability And Validity

Reliability means that the measurements are trustworthy and correct and therefore not affected by accidental factors. In reality, that implies the ability to get the same result after each new measurement. In qualitative studies, a high degree of reliability can be hard to achieve because the collected data is interpreted by the interviewer. (Johansson & Lindfors, 1993) In our study this implies that the reliability might have been affected. Some subjective interpretations could have been made during and after the in-depth interviews. This is not a big concern since subjective interpretations are a part of a hermeneutic study. The reliability for the telephone survey should be high because the different respondents presented the same kind of answers hence little room was given for our own interpretations.

A high degree of reliability is necessary if a study desires high validity, yet, even though a study possesses high reliability it does not guarantee high validity. Validity describes whether the measurements truly measure what they are meant to measure. (Dahmström, 2000) The validity, for the in-depth interviews in this thesis, is considered high. During the interviews a
tape recorder was used along with our notes in order to capture slight differences in the
respondents’ answers. We were both present during all in-depth interviews which also
contributes to capture all the details. In the telephone survey, the validity may be lower. These
interviews were conducted without a tape recorder by one person talking on the phone whilst
taking notes. Therefore, details might have been missed.

2.6 Alternative Method

At first we thought that ITPS had a database including nearly all Swedish BGs. Further, we
believed that these companies were divided into different industry sectors. Our intention was
to investigate the relative number of BGs within these categories. The following step would
be to choose one of these industries with the largest percentage of BG companies, but not the
industry including IT-companies as most previous research has focused on them.

After talking to Lars Sundell at ITPS, we found out that they did not even have half of the
information we had expected. All they had was a report of all Swedish companies (BGs mixed
together with non-BGs) that had started up in 1999 and a follow-up study three years later,
2002. We were greatly disappointed, however we decided to use the little information we had
from ITPS to our advantage. Since we had to change the direction of the thesis we decided to
review the definition of BGs and include the input side to the more traditional description with
only the output side.
3. Theoretical Framework

In this part of the thesis, we will firstly describe the most renowned internationalisation theories to give a background to the internationalisation concept. After that we will describe the history and background of the concept BG, as well as the reasons for its emergence. Furthermore, we will discuss the present situation of BGs, recent research results and more.

In the next part of the chapter, we describe theories of motives for market entry for BGs. The Social Capital Theory is explained along with the Market Size, the Push and Pull and the Country Cluster theories.

3.1 Internationalisation Theories

The most familiar traditional theories of the internationalisation process are; The Uppsala School Approach, The Transaction Cost Approach and The Network Approach. We will briefly review these three theories to give a background to the emergence of the BG concept.

3.1.1 The Uppsala School – An Incremental Approach

During the 1970’s, a group of researchers in Uppsala, Sweden, concentrated their interest upon the internationalisation process of companies and developed the Uppsala School Theory. This model focuses on the choice of market and entry mode when going abroad. The researchers discovered two main things in the internationalisation process; that companies tend to choose markets close-by rather than markets far away from the home market and that companies enter markets via export rather than wholly owned subsidiaries. Four stages were presented to describe the internationalisation process. A higher stage number equals a higher degree of international commitment. (Hollensen, 2004)

1. No regular export activities (sporadic export)
2. Export via independent representatives (export modes)
3. Establishment of a foreign subsidiary
4. Foreign production/manufacturing units

Further, it was discovered that the better the knowledge of the market, the more commitment there was to it. This is also related to the discovery that the greater the distance in cultural psyche (differences in language, culture and political systems etc) is between two markets, the smaller the likelihood is that business will occur. Companies will start their internationalisation process by going into markets they understand. That is where they first will see opportunities and perceive market uncertainty as relatively low. (Hollensen, 2004)
3.1.1.1 Criticism Against The Uppsala School

Criticism has been presented from many directions. The most common views are:

- It is too deterministic (Reid, 1983)
- It does not take into account interdependencies between countries (Johansson & Mattson, 1986)
- It is not valid for service industries (Sharma & Johansson, 1987)
- In more recent days some companies tend to enter far-flung markets at an early stage (Nordström, 1990)

3.1.2 The Transaction Cost Analysis Model (TCM)

The Transaction Cost Theory claims that: “a company will expand until the cost of organizing an extra cost within the firm will become equal to the cost of carrying out the same transaction by means of an exchange on the open market.” (Coase, 1937) If there were such a thing as a friction free market, the Transaction Cost Model would not exist. But in the real world there is always a transaction cost between the buyer and the seller. This friction is explained by opportunistic behaviour (self-interest seeking with guile (Williamson, 1985)). The model also suggests a number of ways to protect oneself against this opportunistic behaviour - safeguards. The purpose is to control transactions so that people who engage in them will believe that they are better off when carrying them out. The Transaction Costs are divided into two categories:

- Ex ante costs: Search costs, costs to evaluate and identify export intermediaries. And Contracting costs, associated with writing and negotiating agreements.
- Ex post costs: Monitoring costs, making sure that both parts fulfils the agreement. And Enforcement costs, sanctioning of a trading partner who does not perform in accordance to the agreement. (Hollensen, 2004)

3.1.2.1 Criticism Against The TCM

- It is a narrow assumptions of human nature (Ghoshal & Moran, 1996)
- It excludes internal Transaction Costs, assuming zero friction within a multinational company (Hollensen, 2004)
- The relevance for SMEs is questionable (Christensen & Lindmark, 1993)
- The importance of the production cost has not been taken into consideration and the importance of the transaction cost is overstated. (Williamson, 1985)
3.1.3 The Network Model

The *Network Model* differs from market and hierarchical modes; it is a business mode of handling activity interdependencies between numerous actors. In the market mode there are no typical relations between actors, they are dependent of the price mechanism. In the hierarchical mode relationships are handled in accordance to the hierarchical order, not bilaterally as is the case with the *Network Model*. In a network, the relationships are freely connected and not dependent on a specific order, the network is composed of actors’ willingness to engage in these relationships. The *Network Model* is very flexible and suits turbulent markets, for example the technical business field where change is part of every day life. (Hollensen, 2004)

An assumption in the *Network Model* is that a specific company is dependent on assets controlled by other companies. This is why networks between these companies are vital. These bonds could be for example technical, legal and social. According to this model, these networks are the cornerstones of the internationalisation process. What may start as a domestic network could turn out to be international, building bridges over borders. The internationalisation process tends to be more rapid when using the *Network Model*, especially for SMEs in the high-technology sector. (Hollensen, 2004)

3.1.3.1 Criticism Against The Network Model

- Does not discuss the importance of the decision-maker and firm characteristics when taking up opportunities for international expansion which may emerge from the networks.
- Does not discuss how the companies can overcome problems regarding their internationalisation process through their network relationships.
- Does not take into account the influence of some external factors that steer a company towards internationalisation. Examples of these factors are intense domestic competition and government economic policies.
- Does not consider relationships that form through interactions in formal associations. Examples; joint action groups and industry clusters. (Chetty & Holm, 2000)

3.2 The Born Global Theory

3.2.1 The Emergence Of The Born Global Concept

As a phenomenon, BGs began to be discussed in the press towards the end of the 1980’s. (Saarenketo) The concept of BGs was first used in an Australian report in 1993 – “Global competitiveness: Born Global” (Rennie, 1993), however the consequences of the discovery were first discussed by Tamer Cavusgil in 1994. He interpreted the report as saying: ‘gradual
internationalisation is dead’. In the New Economy everyone has access to information about most export markets and therefore have the possibility to export right from the start, even the smallest companies.

Although the most common name for the discussed phenomenon is BG, it has been named many different things over the years. Some examples are International New Ventures (McDougall, 1994), High Technology Start-Ups (Jolly, 1992), Leapfroggers (Hedlund & Kvarneland, 1985) and Innate Exporters (Ganitsky, 1989). Many of these names were used before the coining of the phrase BG. Even though these terms do not have the exact same meaning there are many similarities, for example they all describe companies where immediate internationalisation takes place. We will not go into detail about the different names but this summary of a chart put together by Rasmussen, el at. 2002 clarifies it.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Background</th>
<th>Conclusions / results</th>
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</thead>
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<tr>
<td>Hedlund &amp; Kverneland, 1985</td>
<td>'Leapfrogging’ Firms that jump over stages in the traditional models.</td>
<td>More and more homogeneous export-markets. Internationalisation as a part of the firm’s strategy.</td>
</tr>
<tr>
<td>Ganitsky, 1989</td>
<td>Innate exporters. 18 exporters from Israel which are Born International.</td>
<td>Firms, which are Born Global, adapt to a high degree their strategy to the foreign markets. Lack of resources and experience.</td>
</tr>
<tr>
<td>Jolly, 1992</td>
<td>High Technology Start-Ups. Four case studies of high-tech start-ups.</td>
<td>From the start these firms have their strategy pointed towards the global niche markets. Founder with an international experience.</td>
</tr>
<tr>
<td>McKinsey &amp; Co., 1993</td>
<td>Born Global. Survey amongst 310 production firms with a new export.</td>
<td>25% of the firms had an intensive export within the first two years after the foundation of the firm. Export in average 75% of their sales.</td>
</tr>
<tr>
<td>McDougall, 1994</td>
<td>International New Ventures. 24 case studies.</td>
<td>A strategy from the birth directed towards the international markets. The stage models are not usable any longer.</td>
</tr>
</tbody>
</table>

Figure 3: A summary of the emergence of the Born Global concept

3.2.2 Characteristics Of Born Globals

A BG can be defined as: ´a firm that from its inception derives competitive advantages from the use of resources and the sales of outputs in multiple countries´ (McDougall, et al. 1994).
These companies are usually managed by visionary entrepreneurs whom view the world as a single, borderless marketplace from the start. BGs are often characterized as SMEs with no more than 500 employees and sales under $100 million. Another distinguishing feature is that they most often rely on cutting edge technology. (Hollensen, 2004) This also means that the geographical processes can be reduced into ‘here and now’ trade and information flow all around the world if possible, assuming infrastructure, IT devices and skilled people are available (Törnroos, 2002).

BGs often choose a homogeneous business area with minimal adaptation of the marketing mix. The reason for this is that they cannot allow themselves to take a multi-domestic approach because of their size. They often depend on a single product and because of that, have to focus on lead markets for rapid and broad access to cover their relatively high fixed costs. It does not matter where these markets are situated geographically. These factors make the BG companies vulnerable. (Hollensen, 2004)

Several elements have been put forward to explain the emergence of BGs, one of these being the increasing role of niche markets. There is a clear trend among the mature markets for a growing demand of specialised products. With the strong competition posed by the multinational companies, smaller companies may have no choice but to turn to smaller niches with much more specialised demands.

One of the more important elements is the advancement in information technology. With developments such as the Internet and improved telecommunications, information flow has become very inexpensive and fast moving. It also allows for greater ease of cross border management. Reaching people in different parts of the world is no longer a problem. Another benefit originating from advancement in technology is the academic collaboration. It has made joint research, international technology transfers and cross-border education possible. All these factors contribute to continuing advancement within the area.

Another element behind the emergence of BGs is the advancement in process/technology production. It has become much easier to manufacture complex, non-standard parts, which means that SMEs can streamline their production and therefore compete with larger companies.

A fourth element is the flexibility of BGs. Being flexible, it is easier to adapt to different tastes and standards around the world. Due to the greater importance of the global market place today this has proven to be an important advantage for SMEs. Another element is the importance of global networks. By building mutually beneficial, long-term alliances with partners around the globe, BGs can increase their chances of successful international
commerce. These partners can be distributors, trading companies and subcontractors, as well as more traditional buyers and sellers.

3.3 Motives For Market Entry

3.3.1 The Social Capital Theory

Probably the best way to describe the main content of the Social Capital Theory in one sentence would be; “It is not what you know, it is who you know.” The Social Capital Theory is all about networks, contacts, memberships, family etc. Jobs and other benefits are given to people with valuable contacts. The main idea behind this theory is that someone’s friends and family constitute an asset that can be used when needed. (Woolcock & Narayan, 2000)

This kind of thinking is probably considered basic but the terminology is rather new. This new interest in the concept of Social Capital may be because two scientific branches, Sociology and Economy, have been introduced to each other. With Social being a central concept in sociology and Capital in economy, this emergence was expected. (Szreter, 1998)

Even though the Social Capital Theory is regarded as a new one, the sense in which the term is used dates back over 80 years to Lyda J. Hanifan. Hanifan used the terminology when explaining the importance of community participation as a mean to enhance school performance. After Hanifan the concept slumbered for a long time with some exceptions but the big breakthrough for the concept was made in 1996 with the book, Making Democracy Work: Civic Traditions in Modern Italy by Robert Putman. In his book, Putman claims that Social Capital makes democracy work and that it should be seen as social superglue and as lubricant of civic traditions (Putnam, 1996).

A comprehensive, yet formal definition of Social Capital is: “Social Capital refers to the norms and networks that enable people to act collectively.” (Woolcock & Narayan, 2000) So, how has this “new” theory affected economic theories? Earlier researchers, like Adam Smith, viewed the market as free from friendship and trust. The free market was all about competition, consumer choices and decreasing expenses. (Szeter, 1998) The Social Capital Theory, however, embraces the importance of connections in the business world and shows how it can influence economic performance.

As mentioned earlier the Social Capital Theory offers a way to bridge sociological and economical perspectives and can thereby provide better explanations of economic development. (Woolcock & Narayan, 2000)

Even though the Social Capital Theory has been very useful for further understandings of economic growth, it has proven to be very hard to measure its effects. This is mainly because
there has not been enough comparative research conducted within country and cross-borders. But even if more research is done, there will probably never be a single, true measure of Social Capital, for several reasons. Firstly, most definitions of Social Capital are multidimensional with different levels and units of analysis. Secondly, Social Capital tends to change over time, mainly because the balance between informal and formal institutions shifts. Thirdly, there is no long-standing, cross-border survey designed to measure Social Capital. Having stated this, it also needs to be said that some useful measures have been made such as membership in informal and formal associations, sporting communities etc. (Woolcock & Narayan, 2000)

3.3.2 The Market Size Theory

The size of a company’s home market determines if the company chooses to go abroad at an early stage or not. If the home market is large enough there is no need to internationalise so early since the company probably will not be able to satisfy the whole home market anyway. But, if the home market is small the company needs to internationalise early to expand and hence, survive. (Andersson, et al. 2003)

3.3.2.1 The Push And Pull Theory

There are various ways to internationalise. On one hand there is the Push Strategy, where the selling companies try to push the products through different channels to reach the end customers. Alternatively, there is the Pull Strategy, where the selling companies try to create a demand for their products by the use of marketing tools. (Kotler, 2004)

The way we interpret this theory for our purpose is that companies with small home markets, like Sweden, have to push their products into the international market. On the contrary, companies with large home markets, like the U.S. have no need to push their products into the international market, but countries with large home markets automatically create a “pull effect” for international companies to sell their products there, because of the huge market potential.

Since Sweden has a small home market, companies usually have to use both the Push and Pull Strategies in order to successfully internationalise.

3.3.3 The Country Cluster Theory

The purpose of the Country Cluster Theory is to divide countries into “clusters”. The countries within these “clusters” can be approached in a similar way. Several studies within the subject have been carried out, some more known than others. Ronen and Kraute conducted a study concerning work habits and leadership methods with 4000 people in 15 different
countries. Five “country clusters” were presented after analysing the results: Anglo-American, Nordic, South American, Central European and Latin European. (Holt & Wiggington, 2002)

Though the results of the study were helpful for international companies wanting to adapt to different cultures, Ronen was not yet satisfied. After another study, this time with Shenkar, an elaborated model presented. 46 countries in eight “country clusters”: Arab, Near East, Nordic, Germanic, Anglo, Latin European, Latin American, and Far East. There are also some independent countries in the model, these countries showed no cultural ties to other “clusters”. In this later study other variables were emphasized, factors such as job satisfaction, organization, goals and compensation interpersonal roles were analysed. The purpose of this elaborate study was to help managers and companies to develop skills for different situations in different cultures. Both studies show cultural closeness between the countries within the same “cluster”. The main conclusion of the study is that countries in the same “cluster” can be approached in a similar way. (Holt & Wiggington, 2002)

The Country Cluster Theory divides countries into groups due to cultural closeness. It is not the first time a theory aims at doing this. The most familiar theory in this field is Hofstede’s theory of Cultural Dimensions. In this thesis we have decided not to apply this theory since it has been used in numerous prior studies.
3.4 Application For Analysis

Selected theories will be applied, together with our empirical results, in the analysis. They will also help to develop the interview guide for the in-depth interviews. The theories described above will help us in the following way:

- The Internationalisation theories give background to the concept of BGs. Moreover, they are applied in the analysis section to see how the selected companies internationalise their businesses.
- The *Social Capital and Market Size* theories are applied in the analysis to explain why companies end up in certain markets.
- The *Push and Pull Theory* helps us to see in what way the companies have internationalised.
- The *Country Cluster Theory* helps us to understand why some countries have successful relationships and why some do not. It will also help to explain why the companies end up in certain markets.

Furthermore, all theories will be viewed in a critical manner and put to the test to see if they are applicable for our study.
4. Empirical Results

In this chapter of the thesis we will present the empirical data. We will start with the quantitative data: the industry statistics, industry information and the telephone survey. To follow, the qualitative empirical data will be presented: the in-depth interviews.

4.1 Industry Statistics

We studied a report available on ITPS’s web site. This report was a 3 year follow-up study, it described the situation of Swedish companies that were considered genuinely new in 1999. According to ITPS, a company is regarded as genuinely new when the business is completely new or if the business has been revived after having been resting for at least two years. The estimated number of new companies that started up in 1999 was 35,816 and three years later 59 per cent of them were still in business. The report included, among other things, an industry categorisation of these firms and whether they had any international sales. They had four possible alternatives to choose from; sales to the local market, national market, international market, or a combination of national and international markets. They did not have to mention how many per cent sales they had in each market. (ITPS, 2005) We have decided to view all companies that have chosen the international alternative as well as the combination alternative as BGs.

After studying the statistics from the ITPS report, we calculated the percentage of BG companies within each industry sector. We decided to disregard the number of companies not responding, i.e. the dropout percentage. Since we are only interested in the international and combination alternatives, we have chosen not to show the percentage for those companies with local or national markets. Thus the total column does not add up to 100 per cent. The results are shown in the table below.

We found that the largest industry sector with international sales was the Financial and Company Services sector (18.3 per cent BGs). The result was not surprising since most IT-companies belong to this industry sector according to Lars Sundell at ITPS. We, however, wanted to investigate a different industry; the Merchandise, Hotel and Restaurant sector (13.3 per cent BGs). We have decided to focus only on the merchandise side, on companies in music and fashion.
4.2 The Chosen Industries

The two industries that we are focusing on in this thesis are the music industry and the fashion industry. Both of these industries are part of the Experience Economy which, in 2002, accounted for 4.7 per cent of Sweden’s GNP. Out of these 4.7 per cent, the fashion industry represents 12 per cent and the music industry 3 per cent. Before presenting the empirical results we want to give a short presentation of what these industries look like in Sweden.

4.2.1 The Music Industry

The music industry is rather complex as it contains a lot of different subdivisions, some of which are; composers, lyric writers, artists, recording studios, music publishers, record companies, law, styling, PR & management, distributors, concert and tour organisers and CD-printers. (Svensk musikexport, Lägesrapport 2004) In this thesis we have mainly focused on record companies, but some of the other subdivisions are also present in our empirical data.

The music industry generates export-incomes through selling products and services and through generating royalties. It is important that the difference between these parts is fully understood as the way in which they generate profits varies greatly. Exported products are created using imported inputs thus making their added value lower than their export value. Exported services, however, have a higher added value and the income from royalties is payment for a job that has already been done, which means that no costs are present. (Musikexport, lägesrapport 2004) In 2002, the music industry in Sweden added a total refined value of 3 billion SEK to its products. (National agency for higher education, 2005)

Sweden is widely known for its great music culture and even though it is a small country a lot of great artists originate from it. Some people believe it is because of the well-established public music school (Musikskolan) that enables all children in Sweden to start to play an instrument at a young age at a very low cost. (Öhlund, 2005)
The fact that many Swedish artists and groups are known more abroad than in Sweden supports the idea that Sweden is a huge music exporter.

Sweden has the third largest income from royalties per capita, in the world. Only USA and Great Britain are ahead. But even though Sweden holds a great position in the music world there has been a small but important decline on the income scale. Between 2003 and 2004 Sweden lost 3 per cent of its incomes from royalties whereas USA gained 30 per cent more. (Musikexport, lägesrapport 2004)

The total generated income from royalties is shown in the figure below.

![Chart showing royalty incomes for Sweden between 1997-2004](image)

(Musikexport, lägesrapport 2004)

*Figure 5: Royalty incomes for Sweden between 1997-2004*

Recent development of information technology has helped the music industry to spread. This has enabled Swedish artists/music companies to expand over the whole globe. Internet forums, such as Fanzines (a fan club publication put out by amateurs), play a great role in this process. (Öhlund, 2005)

**4.2.2 The Fashion Industry**

Exports of Swedish fashion products increased dramatically during the 1990’s. In 2004 the value of Swedish fashion exports was 7.2 billion SEK. Today, the value of the Swedish fashion exports has surpassed the value of Swedish music exports. (Aronsson, 2005) The total amount of value added in the fashion industry in Sweden was in 2002 13.5 billion SEK. (Lönnroth, 2005)
Swedish fashion companies have resorted to moving their production overseas. There are few companies who offer production in Sweden and the ones that do offer inevitably expensive products. Many designers produce in the Baltic countries and in China but Portugal, Italy and Turkey are common too. The production site depends on how large the order is and what kind of material they want to use. Most companies buy their material at the textile fairs Première Vision in Paris and Pitti Filati in Italy or through textile agents. (Lönnroth, 2005)

The early internationalisation process (production abroad) of Swedish fashion companies has enabled the companies to develop other skills such as new product inventions, design, marketing and logistics. Swedish fashion companies are also good at building strong trademarks. (Andersson, Olsson & Zupanic, 2005) Recent years have seen an explosion of development amongst young, jeans based fashion companies in Sweden. (Aronsson, 2005)

The Swedish fashion industry is considered mature and very competitive. Indeed, it has been called the most competitive industry in Sweden two years in a row by Svenskt Näringsliv (Swedish Industry). There are no import restrictions or other rules to protect domestic production and compared to other industries, the import percentage is high. (Svenskt Näringsliv, 2005)

The fashion industry has traditionally been seasonal. There used to be two main seasons, spring/summer and autumn/winter. But during the last couple of years we have seen a tendency towards adding more seasons per year. (Hines & Bruce 2001)

The different trade fairs represent a big influence on the fashion industry. In Sweden, FOCUS is considered the most important one. (Andersson, Olsson & Zupanic, 2005) It is also very important to consider fashion magazines and how they interpret the new trends from the trade fairs. What the magazines present as modern will sell. (Cozens, 2005) In order to survive, Swedish fashion companies must have international sales. The Swedish market is too small. (Lönnroth, 2005)

4.3 Telephone Survey

In this part of the empirical chapter we will present the results from the telephone survey. We have interviewed ten respondents from companies within the music industry and ten respondents from companies within the fashion industry.

Firstly, we will state the questions used for the survey and then we will show the summary of the answers for each industry. The result for each company is presented individually in bullet points in appendix B.
Some companies were not able to answer the question regarding the percentages of their turnover that international markets represent. They could only estimate “a small percentage”. This was due to having started trading during this current year and do not have accumulated sufficient figures worthy of analysis. For some companies older than one year, their turnover figure was incalculable as they are not joint-stock companies. In the following text we have chosen to view “a small percentage” as around ten per cent to make it easier during analysis to calculate average sales abroad. One company, Helan Kommunikation, could not estimate the international percentage at all since it is divided between several Scandinavian countries that are viewed as one market. Therefore, this company has been disregarded in the summary where the average international sale is calculated.

There were also a number of companies that could not present us with an annual turnover figure. Short trading history and consultancy work were amongst the reasons for unavailable figures.

4.3.1 Questionnaire

- Respondent’s name and position within the company
- Turnover for 2004
- Start-up year of the company
- Year of internationalisation
- Percentage of total company sales to foreign markets
- Countries the company sell to
- Countries the company buy products or services from

4.3.2.1 Summary Of The Music Companies

All ten companies are younger than 15 years. Six out of ten companies started within the past three years. All companies had foreign sales in their start-up year except for two companies whom had international sales during their second year of business. Average foreign sales are around 60 per cent, although one company had a smaller percentage.

The most common markets for output are as follows: (Figures represent how many out of the ten companies mentioned the country)

- Germany (8)
- USA (7)
- Japan (6)
- England/UK (5)
- Australia (4)
- Canada (3)
Some Swedish companies import not only materials/products but they also import artists. The most common sources for input are:

- England/UK (4)
- USA (3), Germany (3)
- France (1), Italy (1), Canada (1), Austria (1), Czech republic (1), Japan (1), Poland (1)

We have chosen to view both import of artists as well as production as a part of the input side.

**4.3.3.1 Summary Of The Fashion Companies**

All companies that we have interviewed have been trading for less than ten years. Indeed, most companies started up in the 21st century. Seven out of the ten companies had sales abroad in their first year and the remainder within their first two years. Average foreign sales are around 40 per cent, some having a very low percentage whereas some having a very high percentage.

The most common markets for output are as follows:

(Figures represent how many out of the ten companies mentioned the country)

- Denmark (10)
- Norway (8)
- Finland (6), Germany (6), England/UK (6)
- Greece (5), Japan (5)
- Australia (4), Belgium (4), Canada (4), France (4), Netherlands (4), USA (4)
- Austria (3), Ireland (3), Italy (3), Spain (3)
- Iceland (2), New Zealand (2), South Korea (2)
- China (1), Dubai (1), Hong-Kong (1), Monaco (1), Luxemburg (1), Portugal (1), Russia (1), Singapore (1), St Barth (1)

The most common markets for sourcing input are:

- Portugal (8)
- Italy (5)
- China (4)
- Turkey (3), Hong-Kong (3)
- India (1), Japan (1), Estonia (1)
4.3 In-Depth Interviews

We have chosen to interview a selected number of respondents from the telephone survey to answer our two last research questions: “Why have the companies entered these countries/markets?” and “Does culture influence the decision of which countries/markets to go into? How?”

We conducted four interviews with two companies from each area of focus. *Imperial Recordings* and *Lights Out!* represent the music industry and *Encore* and *Fifth Avenue Shoe Repair* are representing the fashion industry. (See interview guide appendix D)

4.3.1 Music Companies

4.3.1.1 Imperial Recordings

Respondents: Magnus Boman & Joakim Gävert

Main question: *Why have you chosen the markets you have entered?*

*Which market outside of Sweden did you start in and how did the development go from there?*

*Imperial Recordings* started expanding in the Nordic countries (not Iceland) since the markets are similar to Sweden. “*It felt like a natural first step*” to begin there before moving on to the rest of the world, but the Nordic countries were not a priority for the company. Another contributing factor for going into the Nordic countries was that they had a contract with a distributor for the whole area which meant no extra costs.

Their next international encounter was the U.S., though only very small at that point. But it seemed very important for the respondents to get a very small foothold there. “*If you get attention in the U.S., things start to happen, it is a very important market.*”

England became the company’s next big breakthrough. “*The reason that we targeted England was a combination of two things. It was where we got a lot of attention and we would be able to use it as a springboard.*” “*If it happens there, it happens in the whole world.*” Another contributing factor was that their new artist, Jose González, fitted well with a specific genre very popular in England. The fact that England is only a short distance away from Sweden made everything much easier and cost wise, much cheaper.

The music industry keeps a close eye on Sweden as we produce a large volume of successful music. Recent years have seen Sweden produce a lot of popular commercial music and have
helped flourish many talented songwriters. “Sweden has a lot of big songwriters who have written songs for example the Backstreet boys and Britney Spears.” Music production in Sweden is also of high quality, which draws further attention. Sweden as a country might be small but it is strong. “Some of the reasons why we are prominent in music are the public music school (kommunala musikskolan), the fact that Swedish school children are encouraged to play music instruments and that our culture allows us to fail.” The respondents also claim “if you do something as a Swede, you do it thoroughly”.

Entering Poland and Hungary was merely a coincidence. After Imperial had released José González, they licensed one of his songs to Sony, to be used for a TV advertisement that would be shown in these countries among others.

Imperial went into Australia and New Zealand after people there had heard of José González via England. “Swedish music is big there.” “The music culture in Australia and New Zealand is more alike the Swedish than you would think, but they are hugely influenced by England and the U.S. as well.” Independent music has gone down well in Australia. Imperial believed that “skate punk” music would go hand in hand with the surfing and snowboarding culture and it turned out they were right.

Japan is another example of the “springboard effect”. One of Imperial’s partners in England had contacts in Japan, so they entered Japan via England.

When it came to Spain and Italy, Imperial could not find companies to licence to. Instead, they exported directly through their own distributors. Normally, Imperial prefer to use licensing as they are too small for direct exporting but in this case, the value of José made them do it. The potential is huge in Spain and Italy and the risk is very small. “Just to have presence in different countries is of great value”.

Imperial produces their vinyl records in the Czech Republic because they have contacts there and due to the fact that it is cheap, fast and easy. The respondents commented that there are only two places in Sweden that still produce vinyl and they are both too expensive. “There is one company nearby Jönköping that produces vinyl records one day and candy the next...”

**Have you left any markets you have entered? Why?**

The company has never left any markets they have entered. Poland and Hungary was a one-time deal. “Presence is always good”.
Have cultural aspects affected you when choosing markets to enter? If so, in what way?

Imperial usually chooses markets which are culturally close to Sweden, like England for example. Their artists sell best in “westernised” countries and for this reason they have not gone into Africa etc.

The Respondents’ Analysis Of The Statistics Produced From The Telephone Survey

Why do you think many of the companies we interviewed within the music industry have sales to Germany (8/10) and the U.S. (7/10)?

It is easier to get into and be present in Germany than in, for example, England. Germany searches for a broader spectrum of musicians and therefore is more open to Sweden. The U.S. and England are such large markets that they do not need to look outside their own countries.

Since the U.S. is the largest market, most music companies strive to enter it. But it is also a difficult market. The U.S. has their own music, thus they do not care about the rest of the world. When it comes to investing, it is a very complex market, because each state is different. For that reason, it is expensive to cover the radio for the whole of the U.S. The respondents believe it is important to be present in the U.S. and presence costs next to nothing.

According to our statistics, nearly all music companies have sales abroad from inception. Why do you think this is the case?

“There is basically no extra cost for licensing abroad. The risk is already taken when you first produce and market in Sweden.”

Why do you think only a few music companies have production abroad (4/10)?

“People want to have production close by. It has to do with control. It is easier to have production in Sweden when you want to look at a test print for a cover, for example. Besides, it is not any cheaper to place production abroad, well perhaps if we go to one of the large factories in Belgium, Holland or Austria. But then it will take longer time.”

Imperial gets a cheaper price at a Swedish production plant thanks to their distributor.
What do you think the future holds for international Swedish music companies?

Magnus and Joakim believe that the future looks bright. Sweden as a brand name is getting stronger in the world of music and since cultures are becoming more and more similar, it will be easier to sell Swedish music abroad.

Digital formats have made music more accessible to people, say the respondents. Record sales have gone down by 1/3 in Sweden. They do not think the CD format can survive unless the price is reduced. “Micro payment is the future”, where you pay for a licence or a subscription and the music you want to listen to/download.

4.3.1.2 Lights Out!

Respondent: Patrik Larsson

Main question: Why have you chosen the markets you have entered?

What market outside Sweden did you start in and how did the development go from there?

Lights Out! represents and manages small record companies, producers and artists mostly within black music genres such as R&B, soul, hip-hop and dance. They started in England, Germany and Japan because these countries are open to new music trends and foreign artists. Patrik says that you have to ask yourself where you want your largest sales, what is your goal. “You want to focus on the markets which have the most music sales.” Market potential is important when Lights Out! is choosing which markets to enter. Lights Out! wants to concentrate on North Europe (Scandinavia, Germany and England), the U.S. and Japan, since they can sell a lot on these markets. “France has a strong local music scene and therefore it is hard to get in to that market and you cannot sell to Eastern Europe because they do not have a lively non-local music scene. If you go into England, the U.S. and Germany, it will be easier to enter other countries through their distribution channels. These countries have huge distributors, who can guarantee sales all over the world.”

Have you left any markets you have entered? Why?

When the company has left a market, it was because they were not happy with their partner in that country and in that case, they changed partners. They have not entered many new markets lately.
Have cultural aspects affected you when choosing which markets to enter? If so, in what way?

The respondent said that people within the sub-cultures they work in, think similarly all over the world. Countries which set the trends are France, sometimes Germany and then the U.S. and England, who have the greatest influence. “Nowadays, the Internet makes it easy to find out the different trends in music. And it is easy to reach globally.”

The Respondent’s Analysis Of The Statistics From The Telephone Survey

Why, do you think, many of the companies we interviewed within the music industry have sales to Germany (8/10) and the U.S. (7/10)?

“Germany is very important. It is a big country, which means big consumption. Germany is also situated in the middle of Europe and they are aware of the trends within music. Lately, they are especially prominent in electro music.”

“The dream about succeeding in the U.S., the motherland for music.” This is Patrik’s explanation for why many companies have entered the U.S. But Patrik says that it is much harder to get into the U.S. than Germany. There is a huge gap between small and large distributors and record companies. Since the U.S. is so enormous with many different regions, the respondent explains, it is hard to get a foothold in the market.

According to our statistics, nearly all music companies have sales abroad from inception. Why do you think this is the case?

“It is the spirit of our time. Everyone, even small artists or record companies can easily market themselves and create a ‘buzz’ via the Internet and on fairs. That used to be complicated before. The new technology and the speed of information make you available to the whole world in one click of a button.”

Patrik believes that another reason for sales abroad from inception is that it is easy for Swedish record companies to get into markets because Sweden has a reputation of high quality music. “People look up at us, we are known for high quality music.” The reasons for this, according to the respondent, are that Sweden historically has been prominent within the music field, that we get the opportunity to study music in school and that we learn English early in school. “Music is a big part of our lives. We take in international impressions from film, radio and TV. Sweden creates sustainable international music by using an international perspective as a starting point and then adding a Nordic touch. That is why Abba, Roxette, Robyn and Ace of Base succeeded.”
The respondent also believes that because Sweden has such a small home market, companies are forced to go abroad from inception, especially when it comes to niche music such as hard rock.

Why do you think only a few music companies have production abroad (4/10)?

Patrik thinks that production abroad will become more popular in the future. In Austria and Germany there are large factories where the price of production is cheaper than in Sweden, sometimes 5 kronor per CD.

What do you think the future holds for international Swedish music companies?

There will be a positive development for Swedish artists in the future, says the respondent. However you have to be resourceful, work hard and maintain a high quality on the artists in order to succeed internationally.

“The Internet will become very important in the future. And because of the digital revolution, people will be able to buy music much cheaper on the Net as the middlemen are cut off.”

“We need more support from the government to remain in our position as the third largest music exporter in the world.” In Patrik’s opinion, ministers brag too much about how good we are instead of doing something to maintain/improve the situation. Sweden has got talented songwriters and producers who have worked with Backstreet boys, Britney Spears, Jennifer Lopez and more. “But we need to concentrate on the creativeness at home.” The respondent believes that we need to prepare for the future. “The Swedish music industry has great potential for the future, we’ve already got a good reputation. Now, we just need to keep up the good work.”

4.3.2 Fashion Companies

4.3.2.1 Encore

Respondent: Mattias Sahlin

Main question: Why have you chosen the markets you have entered?

What market outside Sweden did you start in and how did the development go from there?

The first market Encore entered was Denmark. There was no strategy for international expansion. It was not even planned. The company’s high degree of internationalisation is not a result of active planning but rather a result of keeping the doors open for all possibilities.
They entered Denmark mainly because it was so easy, being such a short distance away. In the beginning, *Encore* only had a few customers there but today they are over 50. The respondent describes the Danish market as rather unstable compared to the Swedish. There are some similarities to the Swedish fashion market but trends are more important there. In Stockholm a certain store has the same style over some time whereas in Copenhagen one store can shift style over the seasons. “One season a certain store might sell techno pants and the next tweed suits.”

Mattias says that the Swedish market is more like the Norwegian and the Finnish rather than the Danish, although the Norwegian market has a lot of walls around it.

The next step after Denmark was England. *Encore* exhibited their clothes at a trade fair, 40 degrees, in England. Mattias said that at that time, it was one of the best trade fairs in the business. Unfortunately it does not exist anymore. They found some English customers there but it has been a volatile process. “It has been ups and downs there, we have not had any proper planning.” But, *Encore* found some chains of stores that wanted to sell their products. “From time to time, we have sold quite a lot in England but it has not been a stable market with long term expectations.”

At this trade fair, and others like Bread & Butter in Berlin and CPH Vision in Copenhagen, contacts with other countries were made, but not in a planned manner. “It was a lot of countries, but I do not remember which ones…” At Bread & Butter, the best street fashion fair right now according to Mattias, it is more about declining agents than it is accepting them since so many are interested in *Encore*.

“Japan is the weirdest market, one season they can buy very much of one product in one colour and size, and the next season nothing at all.” Mattias explains that in Japan there are a number of large distributors that take orders and then show the clothes on Japan’s own mini trade fairs. Sometimes it sells a lot and sometimes nothing at all. “There is no way of telling what is going to happen there! They are extremely picky.”

Right now *Encore* is focusing on the U.S. They are actively targeting store chains and have found some that will begin to sell their clothes. These contacts were not made on the trade fairs. “We went there and nagged, and it worked!”

The respondent says that since they are so small there is no way of telling what the next season might bring. “We are out waving at some trade fairs, and then the stores that like it buy some.”
Have you left any markets you have entered? If so, why?

Encore has left some markets, like Italy for example where the cooperation with a distributor did not work. In some markets they have distributors that realised that Encore’s clothes do not fit the market and that results in an exit from that market. Other exits have different reasons. “Sometimes the distributors do not pay and sometimes they are not working actively enough for us.”

Have cultural aspects affected you when choosing which markets to enter? If so, in what way?

The culture in different countries plays a great role for Encore. The best markets for Encore right now are Scandinavia, Switzerland, England and Canada. Mattias says that some markets simply do not work, like Portugal, Spain, Italy and France. “They like another kind of fashion, the south European bling-bling style…”

The Respondent’s Analysis Of The Statistics From The Telephone Survey

Why, do you think, so many fashion companies have sales in Scandinavia? (Denmark, 10/10)

Mattias believes that all fashion companies that we have asked have sales to Denmark because of several reasons. “First of all it is so close, we speak the same language, follow the same trends, have the same culture. It is as simple as that.”

In your opinion, what are the reasons for the fact that almost all participating companies had production in or purchase from Portugal? (8/10)

The initial reason that Encore placed their production in Portugal is rather funny. “I actually had a shirt that said made in Portugal and thought, they must make good shirts in Portugal.” And that is the way it happened.

The respondent says that because they make mainly shirts it is very logical that their production is placed in Portugal, they have the highest quality regarding shirts. Production in Portugal is relatively expensive but there is a long history for making clothes in Portugal. This means a great range of producers. “In the fashion industry it is very hard to find good producers and when you find one you want to hold on to them.” “Most often the actual product looks nothing like you want it to.” Portugal is also very good at t-shirts and knitted wear but that is very expensive.
How come not more companies have production in “cheap countries” like India or China?

Encore has some production of trousers in Turkey. This is mainly because of their good contacts at the factory there. Otherwise, they might have considered another country. “We would save a lot of money if we had our production in China, but we can not afford the risk. You could blow the entire production on that.” The respondent tells us that if you want to produce more technical clothes, like jackets, China is much better. Encore are actually considering putting their production of knit wear in China, mainly because it is extremely expensive to produce knit wear in Europe. Even though there is a great risk to place your production in China, if it works you will save a lot. “You can not even compare it; it is like comparing a Ferrari to a Volkswagen.”

Today it is not just a question of company size if you can place your production in cheap countries like India or China. China can make small quantities as well but it is more of a safety issue according to the respondent. In Europe there is a much larger supply of fabrics etc. “They work in different ways, in China it is more send it and we’ll fix it...” Mattias also says that it is much easier to influence the production process in Europe.

Why do you think none of the participating companies have production in Sweden?

“There are no plans to have production in Sweden, it is way too expensive, plus we are no good at it!” As easy as that, Mattias dismisses the idea of production in Sweden. But he adds that if it was cheaper and faster he might consider it, due to the great flexibility of being able to produce a collection quickly. Flexibility is something Mattias finds necessary in the fashion business. “Flexibility and good service is often more important than prices.”

Another country he considers useless for production is Italy. “Twice the price, twice the delivery time and indifferent quality to the rest of Europe, plus they are very inflexible.”

What do you think the future will look like for Swedish fashion companies operating in the international market?

Mattias believes that Swedish fashion companies acting in the international market have a bright future. Scandinavian designers have a good reputation that works as an advantage in such a competitive industry. “We have a certain style, not so over worked, rather simple but good anyway.” Another advantage that the respondent points out is the high degree of structure in Swedish companies. “Being a square Swede is actually a good thing.”

The respondent believes that China will take over more and more production in the future, especially mass production. Portugal, on the other hand, will compete with speed, service, flexibility and quality, all highly desirable qualities in the industry. Encore wants to use
organic cotton in the future, something that will probably force them to have their production in Portugal/Europe. “That is something you will not find in China, or you will find it but you do not know if it is really organic.”

“Eastern Europe can be a good place for production, but the supply is very limited, though prices are good, kind of like Portugal.” Mattias tells us that a lot of companies are targeting Romania by buying old government factories and fly in their own management. “But it needs time to develop, right now there are a lot of problems.”

Encore’s future is in the markets where they are already present. “It is more a question of doing things better in the markets you are already in.” They expect growth especially in markets such as Holland, Belgium and England. In USA and Canada they have just started up but the future could be very bright there, there is a lot of potential for Encore’s clothes.

Mattias seems rather unaware of the competition in the industry. “You have a certain style, if it works, it works...”

4.3.2.2 Fifth Avenue Shoe repair

Respondent: Astrid Olsson

Main question: Why have you chosen the markets you have entered?

What market outside of Sweden did you start in and how did the development go from there?

The first market Fifth Avenue Shoe Repair entered was Denmark, closely followed by Norway and Finland. The reason for these entries was the trade fair, CPH Vision in Copenhagen. Astrid tells us that it is a trade fair with very high quality and it is not easy to get a spot there. “Due to a cancellation I got a spot the first year in business, and ever since I have managed to keep that spot.”

It felt natural for Fifth Avenue to enter the Scandinavian countries for several reasons. Geographically, it is such a short distance away, the language is almost the same and the fashion style is similar. Though, Astrid points out that Sweden, Norway and Finland are very much alike but Denmark is quite different. “Denmark is more bohemia chic, they want brown and beige colours and lots of layers!” Astrid describes her company as more minimalistic and simple.

In the beginning, Astrid says that which markets the company entered was pretty coincidental; she had no special strategies for international expansion. One time she got help from the
Swedish trade council (Exportrådet) to exhibit her clothes at a fair in Paris but this turned out to be a miscalculation as the fair was too commercial. Astrid did, however, get some contacts with a distributor in Germany.

Astrid made clear that all distributor contacts she has made internationally have been made at trade fairs, not only the one in Copenhagen but also in Paris, Milan, Tokyo, Berlin etc. At CPH Vision alone, she told us that contacts have been made with 11 different countries. Among these are the Benelux countries (Belgium, Netherlands, Luxemburg), Norway and Finland. It is also from there she has entered into other trade fairs.

The next countries Fifth Avenue is planning to enter are the Benelux countries due to their potential. They also want to increase focus on Japan, as it is a huge market that allows for uncommercial clothes. Another large market they want a bigger part of is England but they are having some difficulties finding stores because England is a country of department stores.

Fifth Avenue has most of its production in Portugal and Turkey, as well as some in Italy. The main reason that they chose Portugal is their great history of textile production. “They have great variation, good quality, though not the best and reasonable prices.” Lately they have also become very flexible due to the possibility that the quota from China might be revoked. Astrid had contacts with the chosen production plants due to earlier assignments in other companies. “This whole industry is built on contacts.”

Turkey is another country where Fifth Avenue has a lot of production. These contacts were also made during assignments for earlier employers. They work directly with the production plants and there are several reasons why they have chosen Turkey. The main reason is the price. It is cheaper than Portugal, besides they are also very flexible and fast.

Fifth Avenue has some production in Italy, despite the high prices, as Italy has a certain reputation that implies great quality, and the quality has proven to be the best according to Astrid. “Made in Italy will always be made in Italy.” Plus, Astrid would rather sell something expensive with great quality than something cheap with average quality. Contacts with Italian producers have been made via production agents. These agents help companies to find a suitable producer for their products. “We called a number of production agents in Italy when we first were interested in having parts of our production there.” Because it is very important that the producers deliver the right things, these agents are helpful. It is hard for such a small company to do everything themselves.

A very small part of Fifth Avenue’s production takes place in China, more as a test. Astrid wants the best material and that is hard to find in present day China.
In the beginning, Astrid had to initiate contact with producers herself using old contacts etc. but nowadays, when the company has grown, suppliers contact them weekly. “I always keep my eyes and ears open for new possibilities.”

**Have you left any markets you have entered? If so, why?**

“We have not had time to leave any markets, yet.” Since the company is so young, no exits have been made on the output side. But Astrid has a feeling of what might go wrong, hence the possibility of having to exit a market. She says that they want a niche market, and not the common jeans niche. A problem could be to find the right stores; some stores might want to sell only their jeans and t-shirts, but Astrid would not allow that. “We do not want to end up in that category. We want to sell other products as well.”

On the input side an exit has been made. “We had some production of lingerie in Estonia, but it did not work out. They still have a Russian style of doing business.” There are often delays and it is hard to trust them.

They have also encountered some difficulties with their producers in Italy. “They are inflexible and not creative.”

**Have cultural aspects affected you when choosing which markets to enter? In what way?**

Astrid believes that culture has a big influence on the fashion industry. A Cultural clash was, after all, the reason that she decided not to continue production in Estonia. The fact that they have no sales in the Italian and Spanish market is also due to cultural differences. “We do not prioritise these countries since they have an entirely different culture regarding clothes there. We do not have the same fashion style.”

**The Respondent’s Analysis Of The Statistics From The Telephone Survey**

*Why, do you think, so many fashion companies have sales in Scandinavia? (Denmark, 10/10)*

“It is so close, it is very easy to go there, plus we almost speak the same language.” Even though Astrid experiences the Danish fashion style as quite different to the Swedish, there will always be some that like her clothes. Also, the clean and simple Scandinavian style works in Denmark just as well as the other Scandinavian countries.

Another factor that makes it easier to enter the whole of Scandinavia is that many distributors see it as one market. They do not specifically enter Sweden or Norway but rather the whole of Scandinavia.
In your opinion, what are the reasons for the fact that almost all participating companies had production in or purchase from Portugal? (8/10)

Apart for the reasons mentioned earlier by Astrid, there is another important reason to consider. There are many Swedes who live in Portugal, in fact two factories there have Swedish connections and one is actually owned by a Swede. Also, Portuguese people are deemed as intelligent, trustworthy and hardworking.

How come not more companies have production in "cheap countries" like India or China? (4/10)

“China can work sometimes, but sometimes it does not. A lot of money can be saved by sending your production to China, but the quality will suffer.” Astrid mentions other factors such as the long distance. The long distance results in long shipping times, it takes four months to send a shipment by boat to Sweden. “A lot of clothes die in four months.” The fast moving trends in fashion make it hard to have to wait four months for the products.

There is also a big problem with payments, you have to take it via a bank that charges a lot for the services and it can take up to a month for the payment to go through the system. Another problem is high quantity restrictions. If you do not order high quantities, the cost is pretty much the same as in Europe anyway.

The quality of products produced in India is very poor, according to Astrid. “They will send you great tests and then when the actual product arrives, it looks terrible.” She does say that they are good at making cotton clothes.

Why, do you think, none of the partaking companies have production in Sweden?

“There are no production possibilities in Sweden. The few places that do exist are extremely expensive.” There could be a possibility to produce knitted wear in Sweden, but the costs are still too high, according to the respondent. “There is actually one company, Boomerang, which produces knit wear in Sweden. But they send it to Estonia to be sewed together.”

What, do you think, the future will look like for Swedish fashion companies operating on the international market?

Astrid sees two possible future scenarios for Swedish fashion companies in the international market. First of all, she believes that more and more production, as well as designing will be moved to China and similar countries. “They are learning our way of designing.” As a designer Astrid believes that she might have to move to China and work there to be able to keep her job.
On the other hand, the respondent, states that where there is a change, a protest action will take place as well. There might be a bright future for small designers and brands. Even some production in, for example, Denmark is possible. Astrid strongly believes that small companies are always needed as an opposite pool. “And during the war theatre groups were still formed. The punk never dies...”
5. Analysis

This chapter will contain analyses of all the different parts of the investigation, including cross analyses of the two industries. These analyses compare and contrast the chosen theories with the empirical evidence.

5.1 Telephone Survey

5.1.1 The Music Industry

When looking at statistics from the telephone survey, all companies fulfil the criteria for BGs. Not only by the description chosen for this thesis but also the more common definition, with an international output of 25 per cent after three years. The only exception is Foundation Of Music Petré, which only has a small percentage of foreign sales. However, this is still their start-up year, 2005, and will probably reach 25 per cent foreign sales within the next two years.

Eight out of ten companies had sales abroad from inception and two the very next year, which shows a strong drive for early internationalisation. Most of the participating companies have a large percentage of their sales abroad, up to 90 per cent. These high international figures indicate that these companies probably act on a niche market, with small demand in Sweden.

The U.S., England, Australia and Canada are all part of the Anglo “cluster” in the Country Cluster Theory. All these countries represent large sales for many of the Swedish music companies. It is not surprising that the same kind of music is successful in these countries since they all have similar cultural distinctions and can be approached in the same way. What is surprising, on the other hand, is that most of the music originates from Sweden which is part of an entirely different “cluster”, the Nordic. The music companies have some sales to the other countries within the Nordic “cluster” but it is not as common. Germany is the largest market, probably as a result of the small geographical distance to Sweden. An unexpected finding was that only four out of ten companies had input from other countries than Sweden.

5.1.2 The Fashion Industry

In the fashion industry all selected companies have production and sales abroad, and because of that they are all compatible with the BG definition chosen for this study. However, some companies have all production abroad but only a small percentage of their sales abroad. These companies would not have been suitable candidates for our study if the more common definition would have been used, which focuses on the output side.
Most fashion companies internationalised in their start-up year and the rest the following year. The average sales abroad are 40 per cent, which point out that they have more sales in Sweden than abroad. Still, 40 per cent sales abroad is higher than the definition of 25 per cent for BGs.

The most common markets for the fashion companies are Denmark, Norway and Finland. These countries belong to the same “cluster” as Sweden. In fact, these countries together make up the Nordic “cluster”. An expansion to countries in the same “cluster” is, according to the Country Cluster Theory, easier since the cultural differences are minimal and therefore they can be approached in the same way.

The largest markets for production are Portugal and Italy, both belonging to the Latin European “cluster”. However, not many fashion companies have sales to these countries, which is contradictory to the Country Cluster Theory. Since doing business with Portugal and Italy on the input side works well, it should work when it comes to the output side as well.

5.1.3 Cross Analysis Of The Telephone Survey

All companies are compatible with our selected definition of BGs, however some of the selected fashion companies would not be defined as BGs according to the more familiar definition. The two industries perform in the international market in very different ways. The music companies have large output abroad (average 60 per cent) but little input from other countries. Alternatively, the fashion companies have practically all their input from abroad and a smaller percentage (average 40 per cent) than the music companies of international output. The industries are thereby on different sides of the BG spectrum, with input on one side and output on the other.

The fact that Sweden has a small home market, results directly in most companies having to sell abroad to maximise revenue. The fashion industry does not seem too affected by this since they have more sales in Sweden than abroad. The music industry, on the other hand, has less sales in Sweden. A reason for this might be that they represent artists within a niche, which does not sell well in Sweden.

In comparison, the two industries do not have sales to the same “country clusters”. The fashion industry has most sales to the Nordic “cluster”, whereas the music companies hardly have any sales in this area. The music industry has its largest sales in countries belonging to different “clusters”, for example the Germanic and the Anglo “clusters”. The fashion industry has most of their input from the Latin European “cluster” (Portugal and Italy), where they hardly have any sales. In contrast, the music industry has input from the same countries they have sales to.
During the survey we noticed that, on the output side, each company had numerous international business partners. Hardly any of the companies had sales to just one or two countries, and that is true for both industries. On the input side, however, the participating companies had only a small number of international business partners. In the music business only a few companies had input from abroad, in a total of ten countries. In the fashion business all companies have production abroad but not in more than eight countries altogether. This implies that the fashion industry has a more concentrated input supply, whereas the supply for the music industry is more spread. On the output side all companies together are represented in 33 countries, on the input side they are established in 16 countries.

5.1.4 Analysis Of The In-Depth Interviewees Reactions To The Survey Statistics

All respondents found the statistics from the survey to show an accurate representation of their industry today. This increases the credibility of the telephone survey as it reaffirms the statistics.

5.1.4.1 The Music Industry

Why, do you think, many of the companies we interviewed within the music industry have sales to Germany (8/10) and the U.S. (7/10)?

It is easier to get into Germany than the U.S. In the Uppsala School Theory, this is explained by the fact that Germany is geographically closer to Sweden. Another reason offered is that Germany, being located in Central Europe, is more open to external influences than England, for example.

70 per cent have entered the U.S. market as it has a very large market potential. Further, they are “the motherland for music”, which means that getting contacts there can result in large sales. This line of reasoning supports the Social Capital Theory. However, the entry barriers are quite high for this marketplace. One explanation being that it has many states which all function differently. In the Country Cluster Theory, Sweden and the U.S. are placed in different “clusters” and therefore Swedish companies cannot approach the U.S. market in the same way as their home market. This is one explanation why Swedish companies face difficulties succeeding on the U.S. market.

According to our statistics, nearly all music companies have sales abroad from inception. Why do you think this is the case?

There are many motives why most music companies have international sales from inception. Firstly, Sweden has a small home market, which according to the Market Size Theory makes companies internationalise early. Secondly, there is basically no extra cost for entering a new market. When this is the case, companies will keep expanding until a transaction cost
emerges. Furthermore, marketing is easy thanks to advancements in technology. Taking advantage of Information Technology is a true BG characteristic. Lastly, Sweden has a reputation for high quality music, which makes other countries interested. This is an excellent example of the Pull Theory.

**Why, do you think, only a few music companies have production abroad (4/10)?**

Companies want to have production in Sweden because they can control it and delivery is faster. The Uppsala School Theory states that companies prefer doing business with countries they are familiar with, in this case the home market.

**What do you think the future holds for international Swedish music companies?**

Presented in part 4.3.1. This question will not be analysed due to its abstract nature.

### 5.1.4.2 The Fashion Industry

**Why do you think so many fashion companies have sales in Scandinavia? (Denmark, 10/10)**

The other Scandinavian countries, such as Sweden, belong to the Nordic “cluster”, thus it might be the easiest step when internationalising. The countries are geographically close, they speak similar languages and are culturally similar. This is compatible with the Uppsala School Theory way of internationalising. In addition, many distributors view the whole of Scandinavia as one market and therefore there are no extra transaction costs.

**In your opinion, what are the reasons for the fact that almost all participating companies had production in, or purchase from Portugal? (8/10)**

Production in Portugal is not inexpensive but they have a long history of making clothes. They have a great range of producers who are used to dealing with Swedes. Many Swedish people live in Portugal and one of the factories is also owned by a Swede, which can contribute to Swedish companies choosing Portugal. One might say that these people make up an unofficial Swedish network in Portugal which the fashion industry uses. The Network Model emphasises these networks as a contributing factor to successful internationalisation.

**How come not more companies have production in "cheap countries" like India or China? (4/10)**

Most companies do not feel comfortable putting their production in China, nor in India. It is a question of trust and quality, either you do not get the right clothes or the quality will suffer. The reason for the distrust could be that Swedish companies are not familiar with Chinese and
Indian cultures. Instead they choose the European market for production where they are more comfortable with the culture. This is conforms to the Uppsala School way of thinking.

Why do you think none of the partaking companies have production in Sweden?

There are basically no production plants in Sweden. The few that do exist are much too expensive.

What do you think the future will look like for Swedish fashion companies operating on the international market?

See part 4.3.2. This question will not be analysed due to its abstract nature.

5.2 In-Depth Interviews

5.2.1 The Music Industry

5.2.1.1 Imperial Recordings

*Imperial Recordings* is a BG company according to the definition. They have some production abroad and had sales abroad the second year in business. Their international sales keep increasing. But there are also other factors that BGs usually possess. *Imperial* has a homogeneous business, like most BGs, and they do no adapt the product to the different markets. Most BGs have high fixed costs which make them vulnerable. This is also true for *Imperial*. If an artist does not sell enough, these costs will make the project unprofitable.

*Imperial* has chosen a niche market for their products. In order for them to compete with the large record companies they have to choose a niche market to survive. The recent advancements in technology have also enabled *Imperial* to get in contact with people all over the world quickly. The great importance of fanzines and Internet forums within the industry makes this advancement extra pressing in the music business. These kinds of forums also work as networks that spread music all around the globe, another urgent factor for BGs. *Imperial* also shows a great deal of flexibility, something which is very important for BG companies. An example of this is how they modified their way of doing business abroad when they could not find a company to license to in Spain and Italy. Therefore exporting was their only way of entering these desirable markets.

Since *Imperial* chose to enter Scandinavia first, you could say that they used the *Uppsala School Theory* for internationalisation. They went to markets that felt more like home – it was natural. *Imperial* have knowledge about the chosen market and because of that, commit to it. The psychic distance between the home market and the other markets is small. Their entry
into England can be argued using these reasons also. They entered England due to the short geographical and psychic distances.

But at the same time, the next market they entered after Scandinavia was the U.S., which would not be the next step in the incremental *Uppsala School Theory*. This shows that *Imperial* view the whole world as their market, regardless of geographical proximity. We can also find some traces of the *Transaction Cost Model* in the internationalisation process of *Imperial*. Their decision to expand to Scandinavia was partly because there were no extra costs involved, or at least very low ex-ante costs. The search costs were almost non-existent since the intermediaries were already there. The contracting costs were the only costs present which made the company more willing to spread.

*Imperial Recordings* started in the Nordic countries for several reasons, one of them being it felt like a natural step. This reason can be attributed to the *Country Clusters Theory*. The Nordic countries are placed within the same “cluster” and should therefore find it easy to do business together.

Another reason why *Imperial* entered the Nordic countries was the fact that they had contacts with distributors acting on those markets. This is a clear example of the *Social Capital Theory* at work; you do business where you have contacts. This theory also explains why the company entered Japan. They had contacts in England, which led to connections in Japan. Regarding the input bought from the Czech Republic, this was mainly a result of contacts, hence the *Social Capital Theory*.

Other markets have been targeted due to their size and/or potential. The U.S. is a good example of this. Even though *Imperial* does not have great sales there, they feel a strong need to have some sort of foothold there, due to the possibility that business might improve. They entered Spain and Italy for the same reasons. Even though they could not find any companies interested in licensing their artists, they wanted to be present in the market due to its great potential.

*Imperial’s* music style lay behind the desire to expand into Australia and New Zealand, as their style fits well with these markets. It seems like the Swedish and the Australian/New Zealand music styles are very much alike, even though they are situated on different sides of the world. This could be because of the great influence England has on these markets. *Imperial’s* music is also very well suited for the English market, another explanation for the company entering England.

One of the factors mentioned was the use of England as a “springboard” market. This means that the company targeted England not only because of its market potential or cultural
similarities but also the fact that a foothold there would open up other doors. And it worked - Australia, New Zealand and Japan were all reached via England.

Stated demand is another reason for internationalisation. From some countries there has been a stated interest and they entered Australia and New Zealand due to this. Some markets that Imperial has entered were due to coincidental factors, for example Poland and Hungary. None of the theories we are using can explain these causes.

5.2.1.2 Lights Out!

Lights Out! has many of the BG characteristics. To start with they have chosen a homogeneous business area with minimal adaptation of the marketing mix. This means that they do not adapt their products to the different markets because of their small size. Since Lights Out! relies upon a small market niche, they have to aim for the lead markets like Germany, England and the U.S., for rapid and broad access to cover their relatively high fixed costs. This focus on niche markets is another confirmation that the company is BG. The increasing role of niche markets has emerged, from a clear trend among the mature markets, towards a growing demand for specialised products. And with strong competition posed by the multinational companies, smaller companies may have no choice but to turn to smaller niches with much specialised demands.

Lights Out! is also compatible with one of the more important forces of BGs: advances in information technology. Thanks to the Internet, the company can market themselves more easily, find out about the latest trends within various music niches and more. Lights Out! has gained advantages from IT, hence they follow the BG characteristics. The importance of global networks is another BG force, which can be related to Lights Out!. For example, they use their contacts in Germany, England and the U.S. to get new connections in other countries. One force, which does not fully correspond with Lights Out!, is flexibility. They do not seem to adapt the products to the different markets around the globe and they choose which markets to enter after market potential instead of following the demand.

Lights Out! has chosen to go into England, the U.S. and Germany because they can be used as “springboards” to enter other markets. These countries have huge distributors, who can guarantee sales all over the world. This can be referred to the Network Model, where a specific company is dependent on assets controlled by other companies. Lights Out! is dependent on these distributors as it is through them they create new contacts within other countries. Lights Out! can then use these new contacts to internationalise further.

Lights Out! focuses on North Europe (Scandinavia, Germany and England), the U.S. and Japan. According to the Country Cluster Theory, they have entered markets in three different “clusters”: The Nordic, Germanic and Anglo (Japan is an independent country). Since
countries in the same “cluster” can be approached in a similar way, Lights Out! only needed to research cultural diversity for two “clusters” (Germanic and Anglo) and then Japan. Lights Out!’s strategy towards internationalisation acted in complete contradiction to the Country Cluster Theory as they desired to enter markets solely for sales potential and not cultural similarity. Lights Out! entered Scandinavia, Germany, England, the U.S. and Japan because they knew they could sell a lot there. This indicates that the company goes into markets where they see the greatest market potential.

Since Sweden has such a small home market, Lights Out! was forced to seek sales abroad from inception, especially within their musical niche. This corresponds with the Market Size Theory, which states that if the home market is small, companies need to internationalise early to expand and in that way survive.

5.2.2 The Fashion Industry

5.2.2.1 Encore

Encore is a BG company according to, not only our selected definition but the classic definition also. They have all production abroad and had sales abroad from inception. Encore does not adapt their clothes to the different markets which means that they have a homogenous business.

Encore is truly managed by a visionary entrepreneur who viewed the world as one borderless market place right from the start. Mattias does not use strategies or planning. He goes where the wind takes him and does not seem to care what happens in Sweden or any other country.

Encore’s chosen niche is street wear with a clean and funky style. Another area they have chosen to focus on is shirt production. These features together present a rather narrow niche for their products. Encore shows signs of a striking flexibility; Mattias often states that he will go wherever there is an interest for their products. The way they do it is not important, what is important though, is that they do it.

Another important factor for the fashion industry are the networks created up by attending different trade fairs. Contacts are made with, in Encore’s case, distributors and clothing chains from all over the world. These kind of global networks are often very important to BG companies.

Denmark was Encore’s first international market. The main motivation behind this is the short distance between the countries. This shows us that the initial internationalisation process for Encore follows the Uppsala School Theory by entering markets close by. Like many other aspects of Encore, this was not a planned move - there were no strategies for
internationalisation. But, as a contradiction to the Uppsala School Model and the Country Cluster Theory, Mattias claims that the Swedish and the Danish fashion markets are not very similar to each other. Finland and Norway are more alike Sweden, according to Mattias. This is in line with the Country Cluster Theory but Denmark is left out, even though the theory claims it should be in the same “cluster” as the other Nordic countries. So, even though it appears like Encore entered Denmark due to the similarities between Sweden and Denmark, this was not the case.

The next step for Encore was entering England, which was made possible by participating in a trade fair there. This also led to many contacts within the country. These trade fairs are presented as an important part of the fashion industry. That is where essential contacts are made. The Network Model presents these kinds of networks as vital for the internationalisation process. The fashion industry is volatile and trends vary each week. Therefore it is very important to keep up with the latest news. The Network Model is best suited for these kinds of environments where change and flexibility is part of every day life.

The next step in Encore’s internationalisation process was entering markets further away, such as Japan and the U.S. This step does not correspond with the Uppsala School Theory. Encore did not know how the markets worked in these countries, with such a great psychic distance between them and Sweden. But geographic distance does not appear to matter at all any more.

Mattias claims that Japan is by far the “weirdest” market he has experience from. The fact that he views Japan as a “weird” market might be because it is placed as an independent country in the Country Cluster Theory. There is no other country comparable to it. In Japan they use their own domestic network system of trade fairs, which, as an outsider, prove to be very hard to predict.

Encore managed to get in on the U.S. market as a result of actively targeting the market by nagging. An approach not commonly found in internationalisation theories, although it shows that Encore wanted to get a foothold on the market due to its great sales potential.

Encore has also experienced exiting some markets. They entered the Italian market via distributors but had to withdraw when cooperation broke down with the distributors. The reason for the breakdown may have been because Italians and Swedes work in different ways according to the Country Cluster Theory. Mattias believes that Encore’s products would not work in the long run on the Italian market, nor the Spanish, Portuguese or French. All these countries are within the same “cluster”, the Latin European, which probably is not a coincidence.
Alternatively, the marketplaces that work best for *Encore* are; Scandinavia, Switzerland, England and Canada, all of which are countries scattered between the Germanic, Anglo and Nordic “country clusters”. This could be a sign of that the *Country Cluster Theory* does not always apply.

*Encore’s* production takes place in Portugal, which is mainly a coincidence and so is hard to explain by theories. However, they decided to stay even when they knew of other cheaper alternatives, as Portugal has great potential for production. Regarding Turkey, on the other hand, contacts were the main cause for placing production there. This is a clear sign that the *Social Capital Theory* is of great importance when doing business with other countries. Especially since Mattias realises that *Encore* could save a lot of money if they placed their production elsewhere, but still he does not change their country of production.

### 5.2.2.2 Fifth Avenue Shoe Repair

One of the more striking proofs that *Fifth Avenue Shoe Repair* is a BG company is Astrid’s way of looking at her surroundings. A BG company should view the whole world as its playing field, and Astrid always has her eyes and ears open for new possibilities, no matter where they occur. An example of this is the way Astrid wants to try production in China so that she does not miss out on any new business possibilities.

*Fifth Avenue* is a niche company and has a strong wish to stay that way. They apply a homogeneous business strategy. Their goals and values are clear and the company is lead by a visionary entrepreneur. *Fifth Avenue* also shows signs of flexibility. An example of this is how they spread their production all over the world. Trade fairs within the industry make up an enormously important network. This is where the majority of contacts are made for *Fifth Avenue*. All the above stated factors are characteristic of BG companies.

Denmark was *Fifth Avenue’s* first international market, mainly because this is where the CPH Vision trade fair is held. But except for that, other reasons offered such as the short geographical distance, the similar languages etc. This is a sign that their initial internationalisation process follows the *Uppsala School Theory*, entering markets close by. The fashion style in Denmark is somewhat similar to the Swedish but at the same quite different. This fact is contradictive to the *Country Cluster Theory* where Sweden and Denmark are placed in the same “cluster”. But at the same time Astrid mentions that Norway and Finland have very similar style to Sweden, something that, according to the theory, is expected.

The rest of the countries where *Fifth Avenue* are present have been contacted via the trade fairs, a symbol of the great importance of contacts in this industry. Astrid clearly stated that personal relations mean everything in this business, all in line with the *Social Capital Theory*.
These personal relationships are all part of a very important network system where trade fairs make up the physical meeting places. The *Network Model* presents the kind of networks that the trade fairs represent, and everything around them, as vital for the internationalisation process.

Astrid explains that the fashion industry is very fast changing, clothes rarely lasts more than four months before they are outdated. When this is the case the *Network Model* is well suited.

*Fifth Avenue* have entered a couple of markets that are, geographically, far away from Sweden, one example being Japan. Astrid describes that market as very different from the Swedish but that is, in her opinion, a good thing. Japan is placed as an independent country in the *Country Cluster Theory* and there is no other market like it. Hence, great cultural distance can sometimes work as an advantage.

Many of the entries made by *Fifth Avenue* have been coincidental, according to Astrid. They have not targeted any market more than another.

Astrid tells us that the company has deliberately chosen not to enter Spain and Italy, on the output side. They do not have the right fashion style for *Fifth Avenue*. Both companies belong to the Latin European “cluster” and it is therefore not surprising that they have a different style than Sweden.

*Fifth Avenue* has left one market, Estonia. The reasons for this were mainly cultural. Astrid found it hard to do business with the producers there due to their “Russian” way of doing things. They only did what they were told to and could not take their own initiative. It is to be expected that the Estonian way will differ from the Swedish, as the two countries are not placed within the same “country cluster”. As a matter of fact, neither Estonia nor Russia appears in the model at all. We believe this is due to the fact that the model is outdated. Russia and the former Soviet Union were probably not doing business internationally at that time.

*Fifth Avenue* has a great deal of their production in Turkey, due to contacts at the plant there. Again, the *Social Capital Theory* shows its relevance. But, what is also worth noting is that this cooperation is working very well, even though Turkey and Sweden are placed in different “clusters”, the Nordic and the Near East. The cooperation with producers in Portugal is also successful, even though they are placed in the Latin European “cluster”. This would suggest that the two “clusters” work well together. However, Astrid does have difficulties working with Italian companies due to their inflexibility, so it seems the *Country Cluster Theory* fails, as Italy is also in the Latin European “cluster”. The two countries can clearly not be
approached in the same manner. We would like to add to the discussion that Astrid herself points out the importance of personal relationships rather than cultural differences.

All choices of producers have been made due to contacts from prior assignments for other companies in the same industry. This shows, once again, the great importance of personal relationships in the fashion industry. They have placed their business where they know someone, who knows someone, who knows someone…

In the future, Fifth Avenue is hoping to expand more into countries with big market potential for their clothes. Some near by, like the Benelux countries and some far away, like Japan. Their choice of countries does not seem to be related to geographical distance anymore, contradictive to the Uppsala School Theory. Nor is it linked to cultural similarities. They see possibilities to expand to countries that are not in the same “cluster”.

5.2.3 Cross Analysis Of The In-Depth Interviews

When comparing the industries, they do not follow the same internationalisation pattern. In the fashion industry, companies tend to start selling in nearby countries first. Scandinavia is the largest market for output. Companies active in the music business, on the other hand, tend to have sales to countries further away and more widespread, like England, Germany, the U.S. and Japan at an early stage.

When looking at the input side, other dissimilarities appear. In the fashion business, companies place production in countries far away, like Portugal, Turkey and China. In contrast, the music industry does not follow this pattern. To begin with, not many companies have input from other countries, but the ones that do, purchase from countries like England, the Germany and the U.S.

For the fashion industry, the importance of networking, such as at trade fairs, is very obvious. These fairs represent their main forum for meeting new, international costumers. Looking at the music companies, their most important forum seems to be the Internet. The music industry utilises advances in information technology to a greater extent than the fashion companies. This also implies that the music business is more exposed to a “pull effect” where buyers from different countries seek out their products and create a demand. Another sign of the “pull effect” is that both representative companies from the music industry say that other countries have their eyes on Swedish music. The fashion companies actively go abroad to trade fairs and exhibit their products. This means that they create a “push effect” on the international market.

The perception of Sweden’s marketplace also seems to differ. Although the internationalisation process felt natural to all four companies, the two fashion respondents did
not have any outspoken plans to internationalise; it just happened. In contrast, the music company *Lights Out!* actively targeted markets which had great potential. They believed that Sweden was too small of a market.

It appears that the opposite is true on the input side. The fashion companies hardly even considered production in Sweden. They have basically all production abroad whilst the music companies have only some production in other countries, on occasion preferring to import artists from abroad.
6. Conclusions and Recommendations

In this section conclusions are drawn from the analysis of the empirical findings. These conclusions are presented in three sections, in keeping with our three research questions. Thereafter some recommendations for ITPS are given and Governmental consideration is offered.

6.1 Conclusions

Which countries/markets do the Swedish Born Globals trade in, input and output?

In the music business, the largest output markets are Germany, the U.S., Japan and England. More than 50 per cent of the companies participating in the survey have sales there. On the input side, the most common markets are England/UK, the U.S. and Germany. It is interesting to note that three out of four of the largest markets for output are also represented in the largest markets for input.

In the fashion business, the most common markets for output are Denmark, Norway, Finland, Germany, England/UK, Greece and Japan. More than 50 per cent of the participating companies have sales there. The largest markets for input are Portugal, Italy and China.

Many of the output markets for the two industries are the same. Regarding the input side, there are no corresponding countries between music and fashion. There are also big differences between music and fashion when comparing the input and output markets within each industry. In the music business, companies have sales to and purchase from pretty much the same countries. In the fashion industry, however, there is no correlation between the input and output countries. The most common markets for production are hardly represented on the output side.

Why have the companies entered these countries/markets?

Many of the reasons for entering countries are the same for music and fashion, though some are specific for each industry.

In the in-depth interviews, the music companies put forward a number of reasons for the most common output markets. The German market was approached due to its openness to new music and its large market potential. The U.S. was entered solely because of its huge market potential. When it comes to Japan, the large market potential and its openness to new music were the main reasons for expansion. Contacts were also used to enter Japan. England is viewed as a “springboard” to other markets and was targeted partly for this reason. Other
explanations for entering England were its geographical closeness, openness, similar music style and large market potential.

Only a few companies had some input from abroad, mainly in the form of licensed artists. The most common markets were England, the U.S. and Germany. Our conclusion is that the companies use the same markets for importing artists as for selling records, since the music styles are similar.

Other reasons mentioned by the music companies for expanding to other markets were: outspoken demand, similar culture, to get a foothold and coincidences.

In the in-depth interviews, the fashion companies gave a number of reasons for the most common output markets. The Scandinavian market was approached due to its closeness both geographically and culturally and sometimes through networks. One specific reason for going into Norway and Finland was that their fashion styles were similar to the Swedish. Germany was entered through networks, which is also the case for England and Japan.

On the input side, the fashion companies presented the following reasons for entering the most common markets. Portugal was targeted because of their long history in textile manufacturing, as well as their flexibility and quality. It was entered through contacts and networks and one time by coincidence. Italy was approached because of its good reputation and high quality. A way of entering Italy was through networks. China, on the other hand, has been entered since it is a low cost production country.

Other reasons and ways mentioned by the fashion companies of expanding to the entered markets were: to get a foothold and by nagging.

*Does culture influence the decision of which countries/markets to go into?*

In conclusion, culture influences a companies’ decision concerning which countries to enter. Not only does it influence which markets they enter but also which countries they stay away from. Sometimes the cultural influences are outspoken but at other times it is necessary to read between the lines, in order to understand how culture has affected these decisions. Countries have even been withdrawn from because of cultural differences.

Given the standardisation of technologies and the watering down of culture around the world, cultural differences, in our opinion, will have a decreased role in international business in the future.
6.2 Recommendations

In the beginning of our investigation, we thought that we could get recent information of BGs in Sweden from a database collated by ITPS. This was not the case and therefore our recommendation is that ITPS or a similar institution collects more in-depth data about the internationalisation processes of Swedish companies. Desirable information, in our opinion, is the percentage of international input and output and what year they started trading abroad. This would be helpful in order to find out how many of the Swedish companies that could be defined as BGs. Another interesting piece of data is which countries the BGs do business with. Information like this could be valuable to a governmental institution when deciding how to allocate resources for start-up companies.

The Swedish government is aware of the importance and success of the music and fashion industries. Moreover, they know of the good reputation these industries have internationally and take part of the credit for this. But according to the respondents, the help from the government is often non-existing or misdirected. In order to maintain the high position in the international market in the future, governmental effort has to be improved. We believe this could be done through cooperation between the government and companies, using for example ITPS, as an intermediate.
7. Final Discussion

In this final chapter, we will discuss results not covered in the conclusions, present our inductive model of BGs, go through the study’s general applicability, introduce a critical view of the thesis and finally state some examples of further research.

7.1 Discussion Of The Results

Traces from several internationalisation theories can be found when examining the participating BG companies. Even though the BG Theory is compatible with these companies in many aspects, it is important to take into account the older theories, as they are still useful when analysing internationalisation patterns. This is especially true on the output side for fashion companies who initially tend to follow the Uppsala School Theory. This is an interesting finding since this theory has come under a lot of criticism. None of the internationalisation theories are by themselves a sufficient explanation for a company’s internationalisation process. A mix of the theories can better explain a company’s behaviour.

As the Social Capital Theory states, contacts have proven to be a vital part of succeeding in international business. For BG companies, contacts are a way of expanding over international borders. Networks have also shown to be of great importance when internationalising, especially in the fashion industry. The Country Cluster Theory is not compatible with BG companies. The theory is also outdated, as it does not include for example Russia, the Baltic States and China. Some of these countries are significant trading partners for the companies in this study.

An interesting finding is that music companies have a high percentage of international output but a significantly smaller part of input from abroad. The opposite is true for the fashion companies. An explanation for this could be that the two industries have very different products. In the music business, the products are of a more technological nature, which we believe suits the Swedish production market better. On the input side, artists are included and since Sweden is prominent in music many of the artists originate from the home market. In our point of view, the home market is an explanation of the differences between the industries on the output side. We have drawn the conclusion that Swedish fashion suits the Swedish market well, whilst Swedish music suits the international market better.

We have observed that both industries have many international buyers but only a few actors on the international input side. Therefore, the output side might be harder to deal with, since the companies have to work with many different associates.
The music industry uses some countries for a “springboard” effect to further internationalise. However, the fashion companies have not shown the same strategy. We believe that they use the trade fairs as “springboards” for entering other markets.

7.2 Inductive Approach

We have constructed a model categorising the different kinds of BGs (see below). The model contains four fields with input on the vertical axis and output on the horizontal axis. The four fields describe the nature of a BG depending upon where the company can be categorised. In field number one you will find what are termed “True Born Globals”. These companies have international input and output which account for more than 25 per cent of total purchases and sales. It could be anywhere between 25-100 per cent. Field number two shows “Output Born Global” companies. These companies are defined by an output percentage higher than 25 per cent. Their input level is lower than 25 per cent. In field number three are the “Input Born Globals”; companies characterised by an international input level that exceeds 25 per cent. These companies have less than 25 per cent output. The fourth field named “Borderline Born Globals” represents companies with both international input and output that are below 25 per cent.

In the more common definition of BGs, a requirement is that international output has to go beyond 25 per cent after three years in business. If this definition was used in this model, field number three and four would not be incorporated in the BG definition. But if you decide to use the definition where input is taken into account, the companies in filed number three will also be defined as BGs. When it comes to the companies in filed number four, they can sometimes be defined as BG companies. We believe that putting a percentage limitation to the definition is too harsh. Consider a company with 24 per cent international output and 20 per cent international input. Are they not a BG? In our opinion, a BG is also defined by the mindset of the people in charge. If they perceive the whole world as their playing field from the start but just happen to have 24 per cent sales abroad, they can still be defined as a BG company. As we have seen in this thesis, many expansions into other countries are coincidental, proving that it is important to look at the whole picture rather than just looking at figures.
7.3 General Applicability

The main subject of this thesis is BGs but we have chosen to limit the study to two industries. This means that the general applicability of the study is not valid for all Swedish BG companies. However, we have selected companies within the fashion and music industries, of different sizes, genres and stages in the life cycle. Due to the wide scope of companies, we believe that the answers given can reflect the whole music and fashion industries. Furthermore, we have discovered that the companies in the same industry have similar internationalisation patterns. Because of this, the general applicability of Swedish BG companies within the music and fashion industries is high.

7.4 A Critical View Of The Thesis

One factor that may affect the quality of this thesis is language. In the Empirical Results we have freely translated the respondents’ answers from Swedish to English. Doing so, we may have failed to reproduce all nuances present in the answers.

Another point to be mentioned is that one respondent of the telephone survey answered via email. This leads to a breakdown in two-way communication. If the respondent did not fully
understand a question, there was no way of asking us about it. And if we did not understand the answers given, we had to make our own interpretation.

Many of the partaking companies in this study have started up their business within the last couple of years. This implies that they are still very young and might not be representative of their industries.

In this thesis we have presented a number of theories. These theories are of course not all possible theories that could have been used. Others could have been applied to make the analysis and conclusions better founded. One example being the *Learning Theory*, where the main message is that you learn by doing.

**7.5 Further Research**

Due to time constraints, we have not been able to investigate as many companies as desired. To enhance the general applicability, a greater number of respondents would be preferable. We suggest a more in-depth study of one industry to enable a greater selection.

Another interesting topic would be to look at other industries within the Experience Economy. A relatively new, interesting and contemporary branch in this industry would be extreme activities, such as helicopter skiing, bungee jumping etc.

As mentioned, there has been quite a lot of research about the high technology area of BGs. This motivated us to choose another line of business. Though, there are still additional industries to select for research. The industry sector which has the second largest percentage of BGs is manufacturing. This sector would be interesting to investigate due to the recent discussions of outsourcing Swedish production to other countries.

An interesting finding in this thesis is that the music business often uses the same countries for both input and output. The reason for this is still unclear. However, in fashion this is not the case. Why do the music companies follow this pattern? Are there any connections between where you place your production/purchase services from and where you sell your products? This is another topic worth further investigation.

As mentioned in the *Discussion Of The Results*, the studied companies have to deal with many different buyers but only a few sellers. The implications for this are still unknown, thus we also suggest this area for further study.
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Olsson, Astrid, Fifth Avenue Shoe Repair, 8/12/2005
Sahlin, Mattias, Encore, 2/12/2005
Appendix A – Telephone Survey (Swedish)

Telefonenkät

Bakgrundsfakta:

- namn och befattning på respondent
- företagsnamn
- startår
- internationaliseringsår

- Hur stor del av er försäljning sker till utlandet?
- Vilken/vilka marknader säljer ni era produkter/tjänster?
  Om möjligt: - Vilken/vilka länder är viktigast för er?
- Från vilken/vilka marknader köper ni in produkter/tjänster?
  Om möjligt: - Vilken/vilka länder är viktigast för er?
Appendix B – Results From The Telephone Survey

Music Companies

Karman consulting – Smilodon

Smilodon is an independent record company situated in Norrtälje. They currently have eight artists/groups in their range. They specialise in rock and hip-hop.

- Respondent: Eva Karman-Reinhold, founder and owner
- Turnover: not available
- Smilodon started in 2004
- The company had sales abroad from inception, 2004
- Today roughly 70 per cent of their sales is abroad
- Sales mainly to Europe, the most important markets are Germany, Spain, England and Austria
- They purchase all material and services from Sweden

Lights Out!

Lights Out! is a consulting-, management-, publishing-, label-, branding- and event company. The company is situated in Stockholm.

- Respondent: Patrik Larsson, founder and owner
- Turnover: works as a consultant, hence the turnover they yield turn up on customers’ statements of account
- Lights Out! started in 2004
- The company had sales abroad from inception, 2004
- Roughly 70 per cent of their sales is abroad
- Sales mainly to UK, the U.S. and North Europe but also to Japan and the rest of Europe
- Import of artists from UK and the U.S., some from other countries like France (hip-hop)
Foundation of music Petré AB

Foundation of music is active as a record company, production company, management consultants and publishing house. They are located in Sollentuna, Stockholm.

- Respondent: Michel Petré, part owner
- Turnover: not available
- The company started in May, 2005
- They had sales abroad from inception, 2005
- A small part of sales abroad, hard to say how much because they so recently started up. The records they are planning to sell abroad have not yet been released there.
- The whole world is targeted for the Swedish artists, but mainly Germany, France, Russia, USA, Canada, Australia and the former Eastern Europe.
- All production takes place in Stockholm, Sweden
- The company handles foreign artists in Sweden via licensing, these artist come from Germany, Italy and England.

GEM publishing

GEM Publishing is a publishing company; one of their main assignments is to place songs on billboards. They currently have four artists/writers in their range. The company is located in Stockholm.

- Respondent: Roger Östman, Creative Director
- Not available
- The company started in 2005
- They had sales abroad from inception, 2005
- Around 75 per cent of their sales is abroad
- The most important markets are: Germany, England and USA, but also Japan to some extent
- The company is a sub publisher for artists from Canada and USA
Labrador

_Labrador_ is an independent record company situated in Stockholm. They currently have 25 artists/groups in their range.

- Respondent: Johan Angargård, part owner
- _Labrador_ started in 1997
- They had sales abroad from inception, 1997
- Around 70 per cent of their sales is abroad, decreasing due to larger sales in Sweden
- They have sales in around 20 countries, the largest markets are Germany, Japan, USA and Taiwan
- All production takes place in Sweden and all artists originate from Sweden

Bad Taste Records

_Bad Taste Records_ is an independent record company situated in Lund. They currently have 14 artists/groups in their range. They specialise in Hardcore, Indie, Punk, Rock and Surf.

- Respondents: Mikael Ewers, responsible for sales
- The company started in 1996
- They had sales abroad from 1996-7
- Around 80 per cent of their sales is abroad
- They have sales abroad mainly to the rest of Europe, with Germany being the largest market, but also extensive sales to Japan, Australia and North America.
- All record printing in Austria, the rest of the production process in Sweden
Helan Kommunikation: Lars-Olof Helén AB

*Helan Kommunikation* is an independent music company that engages in PR, licensing, publishing. They are also a record company. They are situated in Lidingö, Stockholm. Due to their wide range of activities they carry numerous artists/groups within different genres.

- Respondent: Lars-Olof Helén, owner
- Turnover: 5,937,000 SEK (200305-200404)
- How big percentage of total sales that is abroad is hard to answer, sales is divided between the countries in Scandinavia, Sweden is the largest market.
- The company started in 1991
- They had sales abroad from inception, 1991
- The company has sales to all of Scandinavia, where Sweden is the largest market
- Most purchases come from England, but also other European countries

Dead Frog Records

*Dead Frog Records* is an independent record company located in Stockholm. They deal with a range of modern music. They currently have ten artists/groups in their range.

- Respondent: Peter Åstedt, Managing Director
- Turnover: roughly 2,000,000 SEK (2004)
- The company started in 1990, but reorganised in 1999
- They had sales abroad from inception, 1990
- Around 65 per cent of their sales is abroad
- The most important markets are Germany, Australia and Japan
- Records, posters and sweatshirts are purchased from Germany. Artists are traded with other countries, instead of buying.
Imperial Recordings

*Imperial Recordings* is an independent music publishing company located in Stockholm. They deal with acoustic, indie, pop, punk and rock. They currently handle 5 artists/groups.

- Respondent: Joakim Gävert, part owner
- Turnover: roughly 3.500.000 SEK
- *Imperial Recordings* started in 2002
- They had sales abroad from 2003 and some production abroad the same year
- Roughly 25 per cent of their sales is abroad
- The biggest markets abroad are the Nordic countries, England, Germany, France and USA, but they also have sales in Austria, Switzerland, Italy, Spain, the Benelux countries, Japan, Australia, New Zealand, Canada, Poland and Hungary
- Vinyl records are bought from Czech republic, but that is just a very small percentage of total production

Raw Fusion

*Raw Fusion* records is an independent record company that focuses on raw, funky and urban music. It started as a monthly club but progressed into a record label that now carries five artists in its range. It is located in Stockholm.

- Respondent: Mats Karlsson, founder, A&R
- Turnover: Not available
- *Raw Fusion* started in 2002
- The company had their first international sales in 2003
- Around 85-90 pre cent of their sales is abroad
- The biggest markets abroad are Japan, England, Germany and USA
- They have production in Japan, Germany and England. The company also purchases promotional services from England and USA. Most artists come from Scandinavia, England, Germany and Poland
Fashion Companies

Carin Wester

Carin Wester is a fashion company with a strict image. Their head office is located in Stockholm.

- Respondent: Carin Wester, founder
- Turnover: 215,000 SEK (200403-200412)
- Carin Wester started in 2003
- They had sales abroad for the first time in 2005 (spring collection Athens, they did not plan to internationalise that early, but they got several requests)
- The company has a small share of its sales abroad
- They have sales abroad in England, Greece, Norway and Denmark (own stores)
- They purchase all material from Italy

Nudie Jeans

Nudie Jeans is a fashion company that specialises in denim/jeans. Their head office is located in Gothenburg.

- Respondent: Oskar Fritzson, head office
- Turnover: 8,414,000 SEK (2004)
- The company started in 2001
- They had sales abroad the same year, 2001
- 70 per cent of their sales is abroad
- They have sales abroad in Norway, Finland, Denmark, Iceland, Great Britain, Ireland, Belgium, Holland, France, Germany, Spain, Greece, Italy, Austria, Switzerland, Luxemburg, Australia, New Zealand, Canada, U.S., Japan, Hong Kong, Singapore, and Dubai
- Almost all purchases are from Italy and Portugal (99 per cent)
Encore

*Encore* is a fashion company situated in Stockholm. They have a clean and funky style with high quality that derives from street fashion. They focus mainly on shirts. The atmosphere is fun spunky!

- **Respondent:** Mattias Sahlin, founder
- **Turnover:** 17,896,000 SEK (2004)
- **Encore** started in 1998
- They internationalised the same year, 1998
- The sales abroad represents more than 60 per cent
- They have sales in Scandinavia, Germany, Switzerland, Benelux countries, England, Ireland, Japan, Australia, USA, and Canada
- The company purchases all material from Portugal

House of Dagmar

*House of Dagmar* is a design label run by three sisters, and produces clothes for women. They specialise in knitwear, jumpers, dresses etc. Their head office is located in Stocksund, Stockholm.

- **Respondent:** Kristina Tjäder, part owner
- **Turnover:** 0 SEK (200407-200412)
- The company started in 2005 (august)
- The internationalisation has just started so it is hard to say how big part sales abroad represents
- They have sales to Denmark, and England is the next step
- All purchases and production in Italy and Estonia
Velour

*Velour* is a fashion company, with their head office located in Stockholm. There is a clear nostalgic feeling over the company and their clothes.

- Respondent: Johan Lindstedt, sales and PR
- Turnover: 7,490,000 SEK (200307-200406)
- *Velour* started in 2000
- They had production abroad from inception, 2000
- Today roughly 35 per cent of the sales is abroad
- The company has sales in Denmark, Japan and the Benelux countries. Denmark is by far the largest market (apart from Sweden), they have their own agent there.
- Almost all production abroad, mainly in China and Portugal but also some in Turkey

The Stray Boys

*The Stray Boys* is a fashion company with a unique image; their clothes are often described as “ful-snygga” (so ugly that they are pretty). Their head office is located in Stockholm.

- Respondent: Tomas Lingsell, part owner and designer
- Turnover: not available
- The company started in 2001
- They had sales and production abroad from 2003
- *The Stray Boys* have around ten per cent of their sales abroad, with a slow development
- They have some sales in Finland, Norway and Denmark. They are entering Germany at the turn of the year.
- Today all production is abroad, 80 per cent in Portugal and 20 per cent in China. (Some special products are produced in Sweden)
Odd Molly

*Odd Molly* is a fashion company with a fun image; their motto is “the loveable little mess – you are perfect because you are not”. Their head office is located in Stockholm.

- Respondent: Linnea Edlund, customer service
- *Odd Molly* started in 2002
- They had sales and production abroad from inception, 2002
- Today, roughly 60-70 per cent of sales is abroad
- The company is present in 20 countries. The largest markets are Germany, Denmark and Norway. They are experiencing strong growth in Germany, France and Italy.
- They have all production abroad, divided between Portugal, China, Hong-Kong and India

Fifth Avenue Shoe Repair

*Fifth Avenue Shoe Repair* is a fashion company that aims at restoring old classics. Their head office is located in Stockholm.

- Respondent: Astrid Olsson, part owner and founder
- Turnover: Estimated 1.000.000 (2004)
- The company started in 2004
- They had all production and some sales abroad from inception, 2004
- They have around 30 per cent of their sales abroad, it is increasing for the third collection
- The largest international market is Scandinavia, with Denmark being the largest, followed by Japan, England, France, Germany, Greece etc.
- All production is abroad, mainly in Portugal and Turkey but also some in Italy and Japan
Acne Jeans (Via e-mail, see appendix C)

Acne Jeans

*Acne Jeans* design simple and functional clothes ranging from basic cotton T-shirts, to tailored jackets to luxurious accessories and shoes. The company’s head office is located in Stockholm.

- Respondent: Lotta Nilsson, market manager
- Turnover: 41,278,000 SEK (200309-200408)
- *Acne Jeans* started in 1997
- They had sales abroad from 1998
- Sales abroad represents 40 per cent of total sales
- They have sales in Australia, Austria, Belgium, Canada, China, Denmark, England, Finland, France, Germany, Greece, Ireland, Iceland, Italy, Japan, Monaco, Netherlands, Norway, Russia, Switzerland, South Korea, Spain, St Barth and USA
- The company have production in and buy material from Italy, Portugal, Hong Kong and to a small extent Turkey

WESC

*WESC* is a fashion company with a sporty image. The company arose from the underground/skate culture. Their head office is located in Stockholm.

- Respondent: Lisa Östling, head office
- Turnover: 110,000,000 SEK (200405-200504)
- *WESC* started in 2000
- The company had their first sales and purchases abroad in 2000
- 77 per cent of their total sales is abroad
- Their most important markets outside Sweden are Italy, Canada and the U.S.. They also sell to Australia, Denmark, Finland, France, Germany, Greece, Japan, Korea, New Zeeland, Norway, Portugal, Spain, Switzerland and UK.
- *WESC* have production in Portugal, China and Hong Kong
Hej Lotta!


☐ När startade företaget?
☐ Vilket år började försäljningen utomlands?
☐ Hur stor del av er försäljning är i utlandet (uppskatta %)?
☐ I vilka lände säljer ni era produkter?
☐ Vilka länder köper ni in material från/har produktion i?

Tack på förhand.

Mvh

Sara Jönsson

Hej Sara!

Egentligen så svarar jag inte på några frågor (av rättvise skäl) då vi får in så många förfrågningar varje vecka men efter som dina frågor var så korta ska jag göra ett undantag. Mina svar är inklippta i dina frågor.

☐ När startade företaget? 1997

☐ Vilket år började försäljningen utomlands? 1998

☐ Hur stor del av er försäljning är i utlandet (uppskatta %)? 60 % sverige 40% utlandet

☐ I vilka lände säljer ni era produkter? Se hemsidan

☐ Vilka länder köper ni in material från/har produktion i? Italien, portugal, Hong Kong och lite i Turkiet

Mvh Lotta
Appendix D - Interview Guide (Swedish)

Huvudfråga: Varför har ni valt just de marknader som ni har?

(Alternativa svar: Kontakter, marknadspotential, Uppsalamodellen, slumpen, priser)

Vilken marknad utanför Sverige startade ni i och hur gick utvecklingen därifrån?

Har ni lämnat någon marknad? Inköp respektive försäljning. Varför i så fall?

Har kulturella aspekter påverkat ert val av marknader? På vilket sätt?

Statistik från telefonintervjuerna

Musikbranschen

- Varför tror du att så många företag vi har tillfrågat i musikbranschen har försäljning till Tyskland (7/9) och USA (6/9)?

- Enligt vår undersökning har nästan alla musikföretag försäljning till andra länder redan samma år de startat, varför tror du att så är fallet?

- Hur tror du att det kommer sig att så få musikföretag har produktion i utlandet (3/9)?

- Hur tror du att framtiden kommer att se ut för svenska musikföretag som agerar internationellt?

Modebranschen

- Varför tror du att så många modeföretag har försäljning till Skandinavien? (Danmark 10/10)

- Hur kommer det sig att nästan alla företag vi frågade har inköp och/eller produktion i Portugal (8/10)?

- Varför har inte fler modeföretag produktion i ”billiga länder” som t.ex. Kina (4/10) eller Indien (1/10)?

- Varför tror du att ingen av de tillfrågade modeföretagen har produktion i Sverige?

- Hur tror du att framtiden kommer att se ut för den svenska modebranschen?