

International distribution channels

- from the perspective of exporting companies

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Acknowledgements

During the writing of this thesis, a number of individuals have been essential for the completion of it. We would like to show our sincere gratitude and appreciation to the people that have helped us during the process of writing and making this thesis possible. To start with, we would like to thank our supervisor Åsa Wallström for her continuous support and aid through out the thesis. We would also like to thank Thomas Hedberg and Jonas Jalar at Polarbröd AB and Kenneth Wiksten at Norrmejerier. We are truly grateful that they have taken the time to participate in our research and shown a sincere interest and commitment. Without them, this thesis would not have been possible to complete.

Luleå, January 5th, 2005

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1. INTRODUCTION

In this chapter we will start by presenting general facts about international distribution channels within the consumer market. After that the purpose of this thesis is provided and how we have limited our research. At the end of the chapter we will present the disposition of the thesis.

1.1 Background

Globalization of markets is a phenomenon that has received much attention and been extensively debated both at general societal/institutional/cultural levels and at market and business levels. In any globalization process, distribution of goods and services between and within local industrial and consumer markets is of great importance. Globalization of markets and reorganization of distribution are mutually dependent processes that involve changes in market structures. (Mattsson & Wallenberg, 2003) As national markets expand and as new opportunities arise for satisfying consumer demand, greater specialisation in distribution is evident both in level of distribution and in goods and services handled (Mallen, 1996). Moreover, as the global marketplace expands, many multinational firms have been influenced by mounting pressures to develop a worldwide communication, distribution and information network that facilitates the free flow of information and goods across national boundaries (Min & Eom, 1994). Distribution channels excellence has become a powerful source of competitive differentiation. In the 1980's and 1990's, companies began to view distribution channels as more than simply a source of cost savings and recognize it as a source of enhancing product or serve offerings as part of the broader supply chain process to create competitive advantage. (Mentzer et al, 2004)

1.1.1 International distribution channels

In order to sustain the growth of the international marketplace and the integration of the world's economic activities it is vital to conduct efficient and cost-effective distribution according to Ross (1996). The challenge to global distribution management is to structure a supply chain that is responsive and flexible enough to cope with differences in customers' requirements and yet enable the benefits of focused manufacturing to be achieved. (Schary & Skjott-Larsen, 1995) According to Black et al (2002) the past decade has seen some of the most rapid and substantive changes in channels of distribution for goods and services in developed economies. What companies must remember is that the choice of distribution channel is quite complicated in the home market of a company but even more complicated when going international and starting to export. It is vital for companies who are about to establish abroad that they realize that the choice of distribution channel is crucial for future success and growth. There are many alternative distribution channels to choose from and the conditions may vary from different companies and markets. Furthermore, the choice of distribution channel is often complex and expensive if changing it subsequently. Therefore, it is central that the decision is given the attention and acknowledgement which is called for due to the fact that it has such a long-term outcome of the export investment's success. (Anderson et al, 1997)

Distribution builds stable competitive advantages, since marketing channels have a long-run character and to build them it is necessary to have a consistent structure; and due also to the fact that they are focused on people and relationships (Neves et al, 2001). With channels of distribution changing rapidly studies of consumers will need to focus not just on understanding product choice but also on understanding the reasons for channel choice. (Black et al, 2002)

A common assumption that is made in many writings in the area of distribution is that the choice of channel can be seen in the same conceptual framework as choice of product. While this position might be a useful starting point, and while consumer choice models may provide useful insights, they do not readily deal with product-channel interactions in which the characteristics of the product affect the channels considered; nor do they examine consumer-channel interactions in which the motivation for behaviour affects channel choice. Therefore, there is a case for further research to consider the most appropriate framework for evaluating the determinants of consumer choice of channel. (Black et al, 2002)

Root (1998) states that even with the guidance of performance specifications, the determination of the most appropriate channel type is a difficult task. For one thing, managers must try to satisfy several channel objectives like sales volume, low costs, control, the cooperation of channel members, and so on – that can seldom be met fully by any given channel system. Furthermore, managers' ability to estimate the sales potentials and costs of alternative channels is commonly limited by insufficient and/or unreliable information. Therefore, the determination of the most appropriate channel becomes a screening process that leans heavily on qualitative assessments and judgement. (ibid) According to Black et al (2002), the type of product appears to be a key-influencing factor for channel selection. The product can be described along two key dimensions that affect level of buyer involvement, i.e. complexity and the perceived risk associated with its purchase. Given the importance in distribution of matching product and channel, then clearly, as well as considering attributes of products, it would appear that attributes of the channels themselves will also be influential. (ibid)

1.1.2 International distribution channels in the consumer market

The range of distribution channels available in the consumer market has increased dramatically in the past decade and there has been a corresponding increase in the competition between channels. A variety of traditional retail formats now compete with telephone, mail, Internet, TV and digital TV as purchasing environments and consequently understanding the factors that will lead consumers to purchase from one channel rather than another becomes an increasingly important input to channel design and management. Consumer confidence in their ability to use a particular channel is clearly of considerable importance and while all were comfortable with conventional methods of distribution, more technology-based channels presented concerns. (Black et al, 2002) Based on the previous discussion an overall purpose emerges.

1.2 Purpose

The purpose of this study is to gain a deeper understanding of how international distribution channels are used in the consumer market.

1.3 Limitations

We look at the research area from the perspective of Swedish companies that produce consumer goods and pursue export. We have limited our research by investigating traditional international distribution channels and not examine international distribution channels that use new technology such as the internet.

1.4 Disposition

Followed by the first chapter is the Literature Review, which presents theories about international distribution channels, the selection process of them and the channel management. Chapter three consists of the problem discussion and the conceptual framework. The problem discussion describes the research problem of this thesis and presents the three research questions that will be answered. The conceptual framework presents the theories which will help us to design the interview guide that will be used when collecting data from the interviews. In chapter four we will explain the methodology used when obtaining the data. It begins with the research purpose, continues with our research approach, research strategy, data collection method, analysis of data and ends with the quality standards of the thesis. Chapter five presents the empirical data we collected for this study. Chapter six includes one within-case analysis of case one and one within-case analysis of case two. It ends with a cross-case analysis where the two cases are compared to one another. Chapter seven is the final chapter and presents our answers to the research questions and what findings and conclusions we have drawn out of the study. It ends with implications for theory, management and future research. The disposition of the thesis is the following:

- **Chapter 2** Literature Review
- **Chapter 3** Problem Discussion and Research Questions
- **Chapter 4** Methodology
- **Chapter 5** Empirical Data
- **Chapter 6** Data Analysis
- **Chapter 7** Findings, Conclusions and Implications

2. LITERATURE REVIEW

The purpose of this chapter is to present our theoretical framework. Initially we will present theories regarding international distribution channels of consumer goods. Thereafter we will continue by presenting theories regarding how to select an international distribution channel. Finally we will present theories regarding channel management.

2.1 International Distribution Channels

When a firm enters a market abroad, international distribution channel structure is very important. Distribution channel structures are not only difficult to change but initial wrong decisions may lead to poor results. (Kim, 1998) The following sections will present theories regarding international distribution channels of consumer goods and distribution channel intensity.

2.1.1 International distribution channels of consumer goods

According to Jobber (2001) all products whether they be consumer goods, industrial goods or services require a channel of distribution. Czinkota and Ronkainen (2004) state that channels can vary from direct, producer-to-consumer types to elaborate, multilevel channels employing many types of intermediaries, each serving a particular purpose. The producer to consumer structure is considered to be a very direct channel compared to for example the producer to agent to wholesaler to retailer to consumer structure which is an indirect channel according to Mallen (1996). Most international firms would prefer to run a direct channel when using the firm's own sales force, but instead they are forced to use intermediaries, i.e. agents/distributors, due to low sales volume, high start-up costs and local knowledge (Coelho et al, 2003). See figure 2.1 which shows five alternative types of consumer channels.

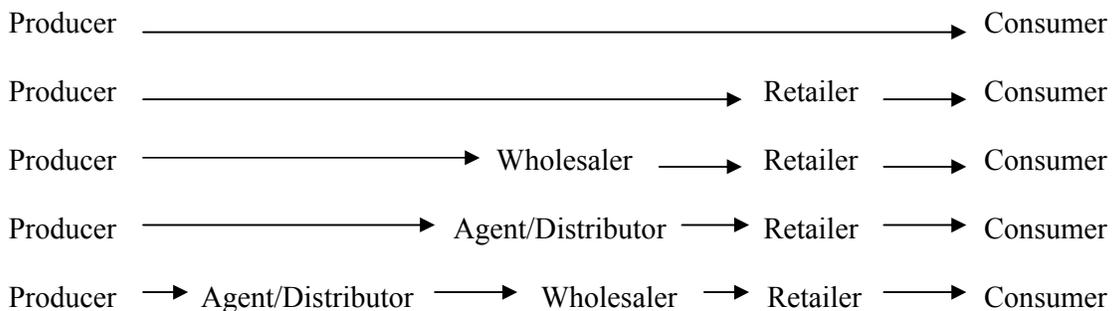


Figure 2.1: Five alternative consumer channels

SOURCE: Adapted from Jobber, 2001, p. 469, Czinkota & Ronkainen, 2004, p.335 and Albaum et al, 1998, p. 196

Producer - consumer. Cutting out distributor profit margin may make this option attractive to producers. Direct selling between producer and consumer has been a feature of the marketing of Avon Cosmetics and Tupperware plastic containers. Direct marketing is of growing

importance in Europe and includes the use of for example direct mail, telephone selling and direct response advertising. (Jobber, 2001)

Producer - retailer - consumer. The growth in retailer size has meant that it becomes economic for producers to supply retailers directly rather than through wholesalers. Consumers then have the convenience of viewing and/or testing the product at the retail outlet. (Jobber, 2001)

Producer - wholesaler - retailer - consumer. For small retailers with limited order quantities, the use of wholesalers makes economic sense. Wholesalers can buy in bulk from producers, and sell smaller quantities to numerous retailers. The danger is that large retailers in the same market have the power to buy directly from producers and thus cut out the wholesaler. In certain cases, the buying power of large retailers has meant that they can sell products to their customers cheaper than a small retailer can buy from the wholesaler. Longer channels like this tend to occur where retail oligopolies do not dominate the distribution system. In Europe long channels involving wholesalers are common in France and Italy. In France, for example, small independent wholesalers dominate the distribution of vehicle spare parts. (Jobber, 2001)

Producer - agent/distributor - retailer - consumer / Producer - agent/distributor - wholesaler - retailer - consumer. This type of channel is most common when companies enter international markets, due to the fact that it does not require as much investment in terms of time and money. (Jobber, 2001) Exporting companies may delegate the task of selling the product to an agent/distributor. An agent contacts wholesalers or retailers in the exporting company's name and receives commission on sales. For example, overseas sales of books are sometimes generated in this way. A distributor is an independent company which purchases the products of the producer and sells it in its own brand name or uses the exporter's brand name. The distributor has the entire responsibility of the rest of the distribution channel such as choice of intermediaries, storage and marketing and an agent has various responsibilities depending on the agreement with the producer. (Bradley, 1999) Some companies use multiple channels to distribute their products. Grocery products, for example, use both producer to wholesaler to retailer (small grocers), and producer to retailers (supermarkets) (Jobber, 2001).

The choice of these various distribution channels is affected by how much control the producer desire of the distribution. If utilizing a distribution channel which is not direct, the company hands over some of the marketing responsibilities, the sales and the storage of products to the foreign intermediary. Therefore, it is vital to put much effort into the selection of the intermediaries. (Gilliland & Bello, 1997)

2.1.2 Distribution channel intensity

Another channel strategy according to Jobber (2001) is the intensity of the distribution channel. According to Kotler (2000) and Fein and Anderson (1997) companies have to decide on the number of intermediaries to use at each channel level. Three approaches are available: *intensive distribution*, *selective distribution* and *exclusive distribution*. Mallen (1996) states that intensive distribution is at one end of the scale where the policy is to distribute to as many outlets as possible, and that exclusive distribution is at the other end of the scale, where the policy is to distribute only to one intermediary at a given level in a given geographic area. The broad middle ground is normally referred to as selective distribution.

Intensive distribution consists of the manufacturer placing the goods or services in as many outlets as possible. This approach is generally used for everyday goods such as milk, bread, tobacco products and soap, products for which the consumer requires a great deal of location convenience. Manufacturers are constantly tempted to move from exclusive or selective distribution to more intensive distribution to increase coverage and sales. Intensive distribution may help in the short term but often hurts long-term performance. (Kotler, 2000) According to Mallen (1996) intensive distribution tends to maximize sales for the simple reason that more outlets increase the possibilities of consumer contact. Yet, this approach means a more elaborate marketing operation at the manufacturer level.

Selective distribution involves the use of more than a few but less than all of the intermediaries who are willing to carry a particular product. It is used by established companies and by new companies seeking distributors. The company does not have to dissipate its efforts over too many outlets; it enables the producer to gain adequate market coverage with more control and less cost than intensive distribution. (Kotler, 2000) Selective distribution is generally applied on rarely bought goods such as DVDs, computers and cameras according to Fein and Anderson (1997).

Exclusive distribution means severely limiting the number of intermediaries. It is used when the producer wants to maintain control over the service level and service outputs offered by the resellers. (Kotler, 2000) While minimizing costs, exclusive distribution tends to maximize channel goodwill and channel control. It is easier for the manufacturer to have completely satisfactory relationships with a few intermediaries than with many in a given area according to Mallen (1996). Often it involves exclusive dealing arrangements, in which the resellers agree not to carry competing brands. By granting exclusive distribution, the producer hopes to obtain more dedicated and knowledgeable selling. (Kotler, 2000) Exclusive distribution is often used on capital goods such as cars according to Fein and Anderson (1997).

2.2 International Distribution Channel Selection

It is very important for the producer to choose the right type of distribution channel due to the fact that it is expensive and a major investment for the company. The producer must put much effort and consideration into this selection. (Holmvall, 1995) The following section will present theories regarding the process of international distribution channel selection.

2.2.1 The selection process

Root (1998) states that when the exporting company decides to use an intermediary it must initiate a selection process in order to select high-quality intermediaries. It demands for considerable attention and effort. According to Root (1998) the decision process has four phases:

1. Drawing up the intermediary profile
2. Locating intermediary prospects
3. Evaluating intermediary prospects
4. Choosing the intermediary

1. Drawing up the intermediary profile

The intermediary profile lists all the criteria a company should look for in a prospective intermediary for a foreign target market. The potential intermediaries must be compared and contrasted against determining criteria according to Czinkota and Ronkainen (2004) and Root (1998). If the intermediaries have different capacities, needs and goals it may result in conflicts with the exporting company. Therefore, it is crucial that the intermediaries' outlook and approach comprehend to the companies according to Cavusgil et al (1995).

Especially when various criteria are being weighed, these lists must be updated to reflect changes in the environment and the marketer's own situation. Some criterion can be characterized as determinant, in that they form the core dimensions along which candidates must perform well, whereas some criteria, although important, may be used only in preliminary screening. (Czinkota & Ronkainen, 2004)

According to Czinkota & Ronkainen (2004), this list should correspond closely to the exporter's own determinants of success – all the things that have to be done better to beat out competition. Czinkota and Ronkainen (2004) continue by stating that before signing a contract with a particular intermediary, the exporting company should satisfy itself on certain key criteria. A number of these key criteria can be easily quantified, thereby providing a solid base for comparisons between candidates, whereas others are qualitative and require careful interpretation and confidence in the data sources providing the information. A criteria list is valuable only when good data are available on each and every criterion. (Ibid.)

According to both Czinkota and Ronkainen (2004) and Root (1998) it is the following criteria to be considered when selecting the intermediary:

- Goals and strategies
- Size of the firm
- Financial strength/credit rating
- Reputation with suppliers, customers, and banks
- Trading areas covered
- Compatibility
- Experience in products/with competitors
- Sales organization and quality of sales force
- Physical facilities
- Willingness to carry inventories
- After-sales service capability
- Knowledge/use of promotion
- Record of sales performance
- Relations with local government
- Communications
- Overall experience/attitude/commitment
- Lines handled
- Cost of operations
- Knowledge of English or other relevant languages
- Knowledge of business methods in the exporting company's country
- Willingness to cooperate with the exporting company

Cavusgil et al (1995) summarize the just stated criteria in five criteria; *company strength*, *product factors*, *marketing capacities*, *commitment* and *facilitating factors*. *Company strength* of the intermediary is an indication of how the needs of the intermediary comprehend to the needs of the exporting company. Exporting companies should investigate the position of the intermediary in terms of present and past customers, suppliers, competitors and other participants in the market. Jones et al (1992) ad that the exporting company should also investigate what product- and marketing expertise the intermediary possess, how the intermediary treats its customers and the intermediary's prior sales. According to Cavusgil et al (1995) it is also important to investigate the growth of the intermediary due to the fact that if the intermediary does not possess financial means there is not any room for future expansion. Thereby it puts a stop for a long-term relationship.

Product factors is an important criterion when selecting an intermediary according to Mallen (1996). It is important to select an intermediary who deals with complementing products and not competitive. The products should reach the same segment as the exporting company. Jobber (2001) states that effective physical distribution is an important product factor to consider. Physical distribution is the delivery of the product from the exporting company via an intermediary to the end consumer, and to handle and store the product in an effective conduct. It is a decisive issue for the exporting company and increases the value of the product if handled in the right way.

Marketing capacities is another important criterion the exporting company should consider in the selection process according to Cavusgil et al (1995). The exporting company must find out what marketing share the intermediary possess of the market. Intermediaries often state that they can handle the whole target country or several target countries; however, it is actually often difficult for the intermediary to work over broad areas due to geographical and financial constraints. Limited accesses to distribution channels or lack of motivation are also factors that make the intermediaries incapable of handling broad areas. If the intermediary is incapable of handling broad areas the exporting company should look for further intermediaries. Mallen (1996) ads that the exporter also must consider the intermediary's marketing of the product and the level of education of the salesforce. The willingness of channel intermediaries to market a product is also an important consideration when selecting an intermediary. The exporting company wants, in most cases, be involved in the decision process of the marketing strategy in order to achieve the marketing that is desired for the product. (Jobber, 2001)

Commitment is the willingness of the intermediary to storage and to invest into advertisement. Another important indication of commitment is the intermediary's investment in training programs for the salesforce. Furthermore, the feedback from the intermediary to the exporting company is also an indication. (Cavusgil et al, 1995). The major indicator of commitment is when the intermediary ends the sales of competitive products in order to only put focus on the products of the exporting company according to Mallen (1996).

Facilitating factors is one of the five criteria that are important according to Cavusgil et al (1996). The exporting company should examine prior experiences with other exporting companies. Management and bookkeeping principles should also be examined and be in agreement with the exporting company as well as the goals of the exporting company should agree with the goals of the intermediary. Another facilitating factor is that the intermediary has English speaking staff due to the fact that it makes the communication with the exporting company easier.

2. Locating intermediary prospects

According to Root (1998) information on prospective intermediaries in a target country may be collected from numerous sources such as government agencies, banks, trade publications, trade fairs and personal visits. Barnett et al (1989) states that personal visits are the most common way in order to get in contact with potential intermediaries. It is the most important indicator of successful export. Even though personal visits are expensive they are vital in order to evaluate the intermediaries' competence and opportunities in the local market. Furthermore, personal visits may result in close relations with the intermediary due to the fact that the exporting company can evaluate the needs of the intermediary. (Ibid.)

Another way of locating intermediary prospects according to McMillan and Paulden (1974) is to ask existing and potential customers in the foreign market for guidance and advice. Gruner and Schafer (1996) state that the exporting company should ask their potential end customers what intermediaries they have cooperated with and have confidence in. However, McMillan and Paulden (1974) state that there is a risk trusting the recommendations of customers due to the fact that they often suggest intermediaries who distribute competitive products. In order to minimize this risk, the exporting company can go to customers of similar products for advice in order to locate prospective intermediaries. These intermediaries are most likely more eager to distribute a complementing product in their assortment than intermediaries distributing competitive products. Existing customers might recommend intermediaries who have access to important customers. (Ibid.)

According to Barnett et al (1989) a third way of locating prospective intermediaries is for the exporting company to visit trade fairs in the new country market. Berg (2000) states that by discussing with various participants of the trade fair a network is created which facilitate the locating of a prospective intermediary. A trade fair is furthermore a good opportunity to investigate how various intermediaries work and what knowledge they have of the products they are currently selling according to Gruner and Schafer (1996). If the exporting company is ready to start selling in the new market it might be a good time to start participating actively in trade fairs. It is crucial to plan this carefully in terms of having enough material, in the appropriate languages. However, if participating actively in trade fairs in a too early stage it might be devastating and the exporting company would be recognized as not serious. (Forsberg, 1996) The exporting company can also turn to organizations such as trade organizations, banks, transporting companies or marketing agencies in order to find appropriate intermediaries. For example, the Swedish trade organization, "Handelskammaren"¹ and "ALMI Företagspartner"² offer valuable contacts in the new exporting country. (Forsberg, 1996)

3. Evaluating intermediary prospects

Root (1998) states that references from banks and existing customers of the intermediary is a good way to evaluate the intermediary prospects. According to Haas (1995) it is also important to find out the history of the intermediary, how long the intermediary has been in the business, what marketing the distribution channel uses and what storage capacity it has. When the exporting company has found intermediary prospects it should try to establish contact by letters or e-mail in order to find out if there is any interest to distribute the product in question according to Root (1998). The author further states that several of the letters and

¹ The Swedish Trade Commission

² ALMI Företagspartner is oriented towards innovators, new entrepreneurs and small and medium sized companies. They provide marketoriented, complementary advice and financing (www.almi.se)

e-mails will probably go unanswered either because the intermediary is not interested in the product or because he or she already handles a competitive product. It is crucial that the first letter or e-mail is created as a sales letter which promotes the product by citing the competitive advantages and sales potential in the intermediary's country, important customers in the home country, and the exporting company's reputation. (Ibid.)

Evaluations of responses of the first letter or e-mail, checks with banks, and supplier references, and other information provide the basis of a second screening. Next, a follow-on letter can be sent to the remaining prospects, asking each intermediary to outline the marketing plan he or she would use for the exporting company's product, the support he or she would want from the exporting company, expected sales volume, and any other information pertinent to the exporting company's profile. Given this information from responses to the second letter, as well as information from other sources, the exporting company is able to determine a limited number of the "best" prospects. (Root, 1998) According to Cavusgil et al (1995) the exporting company must now compare and evaluate the best prospect from one another against the intermediary profile from phase 1 – "Drawing up the intermediary profile".

4. Choosing the intermediary

After the evaluations of the intermediary prospects and the prospects have been further limited, it is time to choose the intermediary. According to Cavusgil et al (1995) and Root (1998) it is important to meet the intermediary in person in order to find out if the personal chemistry is there. The final choice of intermediary is well worth the time and money, due to the fact that the success of the exporting company's product in the foreign country will depend mainly on the intermediary's efforts. Furthermore, if the exporting company makes a bad choice it will be time consuming and costly to undo the arrangements. The whole selection process must start over from the start. (Root, 1998)

2.3 Channel Management

Channel management is about choosing and motivating the intermediaries and to evaluate their achievements. (Kotler & Armstrong, 1999) Jobber (2001) further complements with the issues of training and managing conflicts between producer and intermediaries. The main issues to consider are; selection, motivation, training, evaluation and managing conflict. (See figure 2.3).

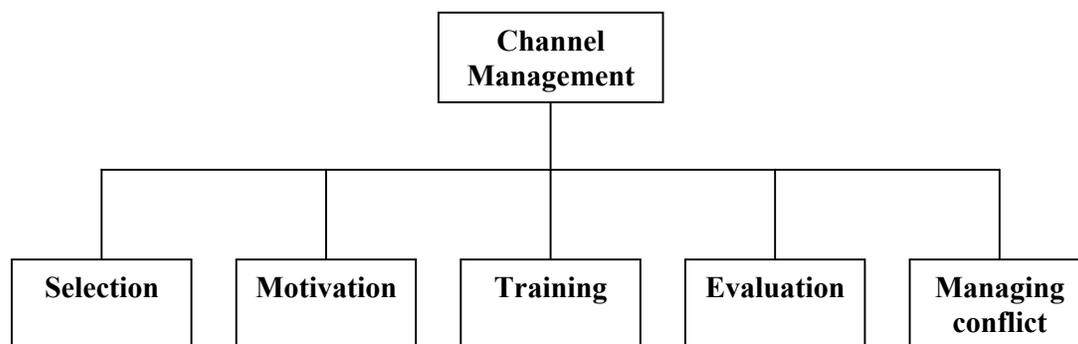


Figure 2.3: Channel Management

SOURCE: Jobber, 2001, p. 533

Selection has already been discussed in the previous section (2.2), however there are certain parts that have not been explained. Jobber (2001) states that selection is an important issue when managing distribution channels. When the exporting company has chosen a suitable intermediary, an agreement is set with the intermediary. According to Czinkota and Ronkainen (2004) it is important to do this in an early stage, when the collaboration is still new. It is furthermore important that the agreement is extensive in order to prevent misunderstandings. Andersson Stening and Nilsson (1999) state that some companies choose to wait signing the agreement until the collaboration between the two parties has been developed and deepened further. According to Valenzuela and Villacorta (1999) there are more and more companies choosing from signing traditional short-term and non-profitting agreements to signing long-term and obligating agreements due to the heavy competition. According to Root (1998) the agreement can be relatively simple, but due to the various cultural differences in the various markets the agreement should be straight and clear. The agreement is a base for the collaboration between the exporting company and the intermediary and it should cover all relevant aspects of the relation and define all obligations of both parties. Hörnell and Wollroth (1988) further add that the agreement does not require a long-term and complex agreement, however, it is important that it states what happens if any conflicts would arise. It is better with a poor agreement with the opportunity to terminate it, than no agreement at all. To lose an intermediary due to collaboration problems might be costly due to the fact that the intermediary has legal rights to certain compensation, also when the collaboration is over. (Ibid.)

Each new agreement that is written should start with a blank paper since each business situation should be treated as new. There is a model of a standard agreement, however, this model should only be used as a suggestion. (Söderman, 1989) When it is time for the company to do a written agreement, a contract, with an intermediary, it might be good to have a lawyer present (Root, 1998). The exporting company should be careful when writing the contract since it determines the geographic market the intermediary will cover. If the exporting company in a later stage wants to expand its export- and product market, problems or difficulties might arise if the intermediary demands exclusive rights to certain geographical areas. The contract should also include the terms of payments, what party should provide storage, contribute with service to customers and if and how the intermediary should conduct the marketing. (Czinkota & Ronkainen, 2004)

Motivation is important in order for channel members to agree to act as an intermediary, and allocate sufficient commitment and resources to the producer's lines. The key to effective motivation is to understand the needs and problems of intermediaries since needs and motivators are linked. Possible motivators include financial rewards, territorial exclusivity, providing resource support such as sales training, field sales assistance and provision of marketing research information, and developing strong work relationships such as joint planning, assurance of long-term commitment, and appreciation of effort and success. (Jobber, 2001) Communication can be a way of motivating the distributor. A close relation could be a decisive factor of the intermediary's motivation. In order for an investment in export shall be successful and profitable it is important that both parties understand and respect each other, coordinate their goals and activities and cooperate with one another in order to achieve their common goals. By cooperating they serve and satisfy the target market in an effective manner according to Cooper (1997). However, in most cases both parties invest in their own short-term goals and their business companies which are closest to them in the distribution channel. To cooperate in order to achieve common goals means in certain

cases that the company has to give up individual goals. (Kotler & Armstrong, 1999) Due to the fact that the exporting company does not have total control of what happens in the new market and what has to be done it is hard to demand a certain performance of the intermediary (Jain, 1996). However, Persson (1987) states that the exporting company has ground to set major demands on the intermediary due to the fact that the consumers often understand the intermediary as part of the exporting company. It may be difficult for the exporting company to set sales goals and read sales reports and other descriptions when all of that is in the hands of the intermediary (Jain, 1996).

In order for the exporting company to get a larger insight in the business activity in the international market it can use motivating factors instead of watching over the intermediary (Jain, 1996). The most popular methods cited by the exporting company to motivate their foreign agents/distributors can be territorial exclusivity, provision of up-to-date products and company information, regular personal contact, appreciation of effort and understanding of the agents/distributors problem, attractive financial incentives. (Jobber, 2001)

Another condition to have a good and prospering collaboration is a functioning information exchange. The exporting company has an immense responsibility towards its intermediaries to show that there is help and support from the exporting company, and also to provide with all the new information when there are changes. (Cooper, 1997) In all collaborations, and especially in international distribution, the parties should keep regular contact with one another in order for the collaboration to be prospering and lucrative. The exporting company should also insure that all activities in the international distribution channel are the same and follow the same international marketing strategy. The communication might be conducted over the phone or by personal visits. Personal visits play an important roll when the relation between the exporting company and the intermediary will be stronger. The communication might also be conducted indirect through news letters, magazines or data bases. International or regional meetings might also be good in order to exchange experiences. (Dahringer & Mühlbacher, 1991)

According to Forsman (1987) it is important to establish close relations with the intermediary, which is conducted most successfully by meeting the persons in question face-to-face. A close relation is a competitive advantage of the exporting company and it is hard for competitors to break that relation. Holmvall (1995) states that in a competitive business environment it is vital for the exporting company to establish long-term and stable relations to intermediaries. To many exporting companies a good relation to the intermediary might be of more importance than a successful product. A company which has a good product but failing relations to its intermediary might have difficulties succeeding in the new market abroad. (Ibid.) According to Dwyer et al (1987) a strong working relation is achieved by for example shared planning, security of a long-term relation, appreciation of effort and success, frequent exchange of opinions or arranging activities off working hours. Cooper (1997) further ads that by showing a sincere interest of the intermediary's work is a determining factor of the intermediary's motivation. A good way of attaining insight in the activities of the intermediary is to set monthly or yearly goals. By doing this the intermediary will know what is required and the exporting company has the opportunity to see how well the intermediary performs. (Ibid.)

Training can make the distribution more effective by handling the human resources in the best conduct according to Gattorna (1990). Effective handling of human resources is closely connected to quality improvement. By involving the intermediary in the quality work of the

exporting company the exporting company might increase its policy concerning giving the end consumers quality and top service. (Ibid.) The exporting company should not train the intermediary on only its own products but also the competitors' products, in order to lift out the advantages and competitive advantages of its own products and deliver that to the customers (Söderman, 1989) According to Alonzo (1999), exporting companies with high distribution loyalty tend to, in addition to traditional rewards, in order to encourage the intermediary to increase sales, also provide and offer training to its sales force. This is a very prospering and profiting strategy, since the exporting company might benefit of providing the tools the intermediary needs in order to deliver solutions when conducting business with its customers. When such knowledge is given it can help to build strong relationships and give distributors the confidence to sell those products. (Jobber, 2001)

The need to train intermediaries obviously depends on how competent they are and what knowledge they have of the product and the market (Jobber). Exporting companies usually have prior experience in marketing the product in the home market and can therefore give good advices on how campaigns, ads and press releases should be performed. In this case, it must be emphasised that it is the local market which decides the outcome of the end material, and not what the exporting company is used to do. (Holmvall, 1995)

Evaluation of channel members has an important bearing on distributor retention, training and motivation decisions. Evaluation provides the information necessary to decide which channel members to retain and which to drop. Deficits in distributor skills and competences may be identified through evaluation, and appropriate training programmes organized by the producers. Where a lack of motivation is recognized as a problem, producers can implement plans designed in order to deal with what the cause of demotivation is. (Jobber, 2001) The exporting company must on a regular basis see to it that the intermediary fulfils the wanted criteria of an ideal intermediary. This can be conducted by comparing the intermediary's performance against the standards that are based on the goals and vision of the company. (Dahringer & Mühlbacher, 1991)

Managing Conflict within an international distribution channel is important in order to keep the efficiency and that all parties keep satisfied. The major sources of channel conflict are differences in goals, differences in desired product lines, multiple distribution channels and inadequacies in performance. (Jobber, 2001) Differences in goals means that most resellers attempt to maximize their own profit. This can be accomplished by improving profit margin, reducing inventory levels, increasing sales, lowering expenses and receiving greater allowances from suppliers. Differences in desired product lines stand for that resellers who grow by adding product lines may be regarded as disloyal to their original suppliers. For example, a sports outlet that decides to narrow its product range will wish to increase the assortment of the specialized items that make it distinct. This can cause conflict with its original suppliers of these product lines since the addition of competitors' brands makes the retailer appear disloyal. Multiple distribution channels may be used by the producer when the producer tries to achieve market coverage. For example, a producer may decide to sell directly to key accounts because their size warrants a key account sales force, and use channel intermediaries to give wide market coverage. Inadequacies in performance is an obvious source of conflict. Parties in the supply chain do not perform to expectations. (Ibid.)

There are several ways of managing conflict (Jobber, 2001). The best way of avoiding and preventing conflicts is to keep a regular and mutual communication and also a close collaboration according to McDonald (1999). A close and frequent relation is determinant in

order to identify the problem before it hurts the exporting company. In order to avoid conflicts it is vital that the exporting company and the intermediary agree and determine on what the obligations and requirements there are of each party and also what party should cover various costs. If problems arise in the collaboration it is crucial that the exporting company inform the intermediary, or the other way around, in order to find an immediate solution. (Holmvall, 1995) In order to manage conflicts the parties can be trained in conflict management and to deal with tough negotiations according to Jobber (2001). Many of the parties involved have no experience in how to act when conflicts arise; to them it is a new phenomenon. Training in conflict management might be of great use in order to handle and solve conflicts in an effective manner which in its turn leads to a productive organization. (Capozzoli, 1999)

3. Problem discussion and research questions

This chapter will first present our problem discussion, which is based on the two previous chapters. The problem discussion will result in our stated research questions, which are justified by the introduction, and the theories presented. In the end of the chapter we will provide the reader with our conceptual framework.

3.1 Problem Discussion

One of the most important factors in order for a company to be successful with its export is that the distribution channel between the company and end consumers serves excellent. (Root, 1998) While international distribution is critical, the choice of channel is often made haphazardly, with limited information. Managers know that intermediaries can be more effective in certain situations, but the criteria used to evaluate an intermediary's performance have not been clearly defined by most firms. (Cabaniss, 1995)

The selected distribution channel is often an important part of the company's business idea. The selection of distribution channel should be discussed, and perhaps even retried, on a regular basis. The selected distribution channel should constantly be under observation to make sure it is utilized in an effective manner. The product should reach the consumer quickly and safe to reasonable costs. (Segerstedt, 1999)

To many companies export through international intermediaries may serve as a relatively simple way to enter a new market, even though it stands for a decrease of control over the distribution. Companies, which choose to use an intermediary, must choose how to distribute its products to the end consumer. By utilizing intermediaries the company hands over some of the marketing responsibilities, sales and storage to the international intermediary. Therefore, this choice is affected by how much control the exporting company wants over the distribution. (Gilliland & Bello, 1997) Distributor selection is one of the most important choices a manufacturer will make in exporting (Cavusgil et al, 1995). It may be difficult to find potential distribution channels and also choose the one that matches the exporting company the best. The intermediary will represent the exporting company on the new market and if the selection has not been thoroughly revised the exporting company risks to fail with its entire product launch in the new market. (Root, 1998)

Today many exporting companies realize that the key to successful, long-term and profiting business is an increased mutual dependence. This can only be achieved by building and promoting productive and mutual gaining relationships. (Gattorna, 1990) The intermediary will be the face of the company towards the new market and if the collaboration does not work it may result in failure of the exporting company's entire launch of the product according to Root (1998). In order for the businesses of the exporting company to be effective and lucrative it is vital that the management of, and the collaboration with, the international distribution channel is successful (Young et al, 1989). Efficient channel management might be a way of differentiating the product of the exporting company. Channel management is more than just distribution and logistics; it is a way of thinking and a way of building new contacts with customers in order to locate new commercial possibilities according to Weeler and Hirsch (1999).

The problem discussion leads to the following research questions:

RQ1: How can an international distribution channel be described?

RQ2: How can the selection process of an international distribution channel be described?

RQ3: How can the channel management of an international distribution channel be described?

3.2 Conceptual Framework

The purpose of the conceptual framework is to lift out and present the main things to be studied (Miles & Huberman, 1994). The research questions concern how an international distribution channel can be described, how it is selected and finally how the international distribution channel can be managed.

3.2.1 International distribution channels

The first research question concerns how the international distribution channel can be described. In order to answer our first research question we have selected a figure adapted from Jobber (2001), Czinkota & Ronkainen (2004) and Albaum et al (1998) (See figure 2.1). This figure is frequently used and generally accepted within distribution research. Amongst others Mallen (1996) and Gilliland & Bello (1997) are researchers that have used this theory in their work regarding international distribution channels.

All products whether they be consumer goods, industrial goods or services require a channel of distribution according to Jobber (2001). Czinkota and Ronkainen (2004) state that channels can vary from direct, producer-to-consumer types to elaborate, multilevel channels employing many types of intermediaries, each serving a particular purpose. According to Mallen (1996) is the first channel in the figure, producer to consumer, considered to be very direct compared to for example the fifth channel, which includes four intermediaries.

3.2.2 The selection process of an international distribution channel

The second research question concerns how the selection process of an international distribution channel can be described. In order to answer our second research question we will use a four-phase frame developed by Root (1998) who states that when the exporting company decides to use an intermediary it must initiate a selection process in order to select high-quality intermediaries. Amongst others Cavusgil et al (1995) and Mallen (1996) are researchers that have used this theory in their work regarding the selection process of international distribution channels. The four phases are:

1. Drawing up the intermediary profile
2. Locating intermediary prospects
3. Evaluating intermediary prospects
4. Choosing the intermediary

The first phase lists all the criteria a company should look for in a prospective intermediary for a foreign target market according to Czinkota and Ronkainen (2004) and Root (1998). The following list will be used as a scale where each criterion of the scale can be rated from very important, important, not important and not considered.

- Goals and strategies
- Size of the firm
- Financial strength/credit rating
- Reputation with suppliers, customers, and banks
- Trading areas covered
- Compatibility
- Experience in products/with competitors
- Sales organization and quality of sales force
- Physical facilities
- Willingness to carry inventories
- After-sales service capability
- Knowledge/use of promotion
- Record of sales performance
- Relations with local government
- Communications
- Overall experience/attitude/commitment
- Lines handled
- Cost of operations
- Knowledge of English or other relevant languages
- Knowledge of business methods in the exporting company's country
- Willingness to cooperate with the exporting company

The second phase consists of four different ways of locating intermediary prospects. They are:

- Collecting information from banks, trade publications, government agencies and personal visits
- Asking existing and potential customers in the foreign market
- Visit, and/or participate actively in trade fairs
- Turn to organizations such as trade organizations, transporting companies and marketing agencies

The third phase consists of evaluating intermediary prospects.

- References from banks and suppliers
- Find out the history of the intermediary
- Try to establish contact by letters or e-mail
- Compare the intermediary prospects from one another and against the criteria list from phase one

The fourth phase consists of choosing the intermediary. After the evaluations of the intermediary prospects and the prospects have been further limited, it is time to choose the final intermediary. It is important to meet the intermediary in person in order to find out if there is any personal chemistry between the parties involved. The final choice of intermediary is well worth the time and money, due to the fact that the success of the exporting company's product in the foreign country will depend mainly on the intermediary's efforts according to both Cavusgil et al (1995) and Root (1998).

3.2.3 Channel Management

The third research question concerns how the channel management of an international distribution channel can be described. In order to answer our third research question we will use five main issues in channel management that Jobber (2001) describes. Amongst others Cavusgil et al (1995) and Mallen (1996) are researchers that have used this theory in their work regarding the channel management of international distribution channels. According to Kotler and Armstrong (1999) channel management is about choosing and motivating the intermediaries and to evaluate their achievements. Jobber (2001) further complements with the issues of training and managing conflicts between producer and intermediaries. The main issues in conflict management to consider are; selection, motivation, training, evaluation and managing conflict.

Selection is an important issue when managing distribution channels (Jobber, 2001). It has already been discussed in the previous section (3.2.2.) but there are certain parts of it that have not been explained yet. There are especially four aspects included in this issue:

- Outlining of contract
- Duration of contract
- Content in contract
- Lawyer present

Motivation is important in order for channel members to agree to act as an intermediary, and allocate sufficient commitment and resources to the lines of the producer. The key to effective motivation is to understand the needs and problems of intermediaries since needs and motivators are linked. (Jobber, 2001) Motivation consists of the following issues according to Cooper (1997), Jain (1996) and Kotler and Armstrong (1999) amongst others:

- Motivating factors
- Goals
- Communication
- Communication frequency
- Relations

Training can make the distribution more effective, by handling human resources in the best way according to Cooper (1997). To handle human resources effectively, might contribute to quality improvement. The exporting company might increase its policy to give the end consumers quality and top service, by involving the intermediary in the quality work of the exporting company. (Gattorna, 1990) There are mainly two issues to consider concerning training according to Söderman (1989), Alonzo (1999) and Holmvall (1995):

- Active training of intermediaries
- Information exchange between the exporting company and the intermediary

Evaluation of channel members has an important bearing on intermediary retention, training and motivation decisions. It provides the information necessary to decide which channel members to continue collaboration with and which channel members to cancel the collaboration with. (Jobber, 2001)

Managing Conflict within an international distribution channel is important in order to keep the efficiency and all parties satisfied. Sources of conflict might be differences in goals, differences in desired product lines, multiple distribution channels and inadequacies in performance. There are several ways of managing conflict (Jobber, 2001). According to McDonald (1999), the best way of avoiding and preventing conflicts is to keep a regular and mutual communication and also a close collaboration. In order to identify the problem before it hurts the exporting company, a close and frequent relation is determinant (Holmvall, 1995). In order to manage conflicts and to deal with tough negotiations the parties can be trained in conflict management according to Jobber (2001).

- Sources of conflict
- How to manage conflict
- Training in managing conflict

4. METHODOLOGY

This chapter will explain how we have conducted our research. We will explain and justify the choices of methodology approaches that have been practiced in our study in order to answer our research questions.

4.1 Research Purpose

According to Yin (2003) there are three commonly used approaches in scientific research, namely *exploratory*, *descriptive* and *explanatory* research.

Exploratory studies are valuable means of finding out what is happening; to seek new insights; to ask questions and to assess phenomena in a new light according to Saunders and Thornhill (2000). It is a particularly useful approach if you wish to clarify your understanding of a problem. It may well be that time is well spent on exploratory research, as it may show that the research is not worth pursuing. (Ibid.) Exploratory research can be likened to the activities of the traveler or explorer. Its great advantage is that it is flexible and adaptable to change. If you are conducting exploratory research you must be willing to change your direction as a result of new data that appears and new insights that occur to you. (Saunders & Thornhill, 2000)

Descriptive research aims to portray an accurate profile of persons, events or situations. This may be an extension of a piece of exploratory research. It is necessary to have a clear picture of the phenomenon on which you wish to collect data prior to the collection of the data. Project tutors are often cautious of work that is too descriptive. They want you to go further and to draw conclusions from your data. They encourage you to develop the skills of evaluating data and creating ideas. These are higher-order skills than those of accurate description. Description in management and business research has a very clear place. However, it should be thought of as a means to an end rather an end in itself. (Saunders and Thornhill, 2000)

Explanatory studies establish causal relationships between variables. The emphasis here is on studying a situation or a problem in order to explain the relationships between variables. (Saunders & Thornhill, 2000) Explanatory studies attempt to identify factors, which motivate market behavior, and to evaluate their relationships and interaction. (Chisnall, 1997)

Our study is mainly descriptive due to the fact that our purpose and our research questions are to describe and go deeper into the choice of international distribution channel. The study is also explanatory to some extent because we start to explain what factors make a successful international distribution channel, i.e. answering our research questions, in our conclusions. Furthermore, our study is to some extent exploratory in terms of that we have asked questions to the involved companies Polarbröd and Norrmejerier and we have also clarified our understanding of a problem. We have also most likely explored things that have not been explored in the past in terms of that we did our own interview guide based on theories we selected.

4.2 Research Approach

There are two types of research approaches; *qualitative* and *quantitative*. A *qualitative* approach seeks to discover what may account for certain kinds of behaviour. It seeks deeper understanding of factors, sometimes covert, which influence choice of distribution channels for example. It observes and reflects on the complexity of human activities in satisfying many needs, basically, it is subjective. For the findings of a qualitative research approach it cannot produce statistical evidence based on probability sampling but it is able to provide unique insights to inspire and guide the development of marketing strategy and tactics. (Chisnall, 1997) This approach is appropriate when you want thorough information and the purpose of a qualitative approach is to receive a deeper understanding of the research problem (Yin, 2003). A *quantitative* approach measures how much and how many. This approach is therefore suitable for statistical methods. (Holme & Solvang, 1997) Which one of the two approaches to choose from depends on the purpose of the study and the research questions (Chisnall, 1997).

Our research questions were of the nature "how" and our purpose was to gain a deeper understanding of how international distribution channels are used, from the perspective of exporting companies, within the consumer market. The results of our study could not be measured in quantitative measures; how much and how many. Therefore, we found that a qualitative approach would be the best and most suitable for our study.

4.3 Research Strategy

Our research approach is qualitative and then there are five research strategies available to collect data: *experiments, surveys, archival analysis, histories, and case studies* (Yin, 2003). Each strategy is either better or worse depending on what type of study is in question. There are three conditions that distinguish these five strategies (ibid):

- Form of research questions
- Requires control over behavioural events
- Focuses on contemporary events

When "how" and "why" questions are being asked, when the investigator has little control over events and when the focus is on a contemporary occurrence within some real life context, case studies are the best choice of strategies. Case studies contribute uniquely to our knowledge of individual, organizational, social and political occurrences and it allows an investigator to retain the holistic and meaningful characteristics of real-life events, such as individual life cycles and organizational and managerial processes. (ibid)

We chose to conduct a case study for our research due to the fact that we wanted to collect and analyze new data and compare it to existing theories. The purpose of our study was to find information in order to answer our "how" questions. The study did not require control over behavioural events. Furthermore, the study focused on the how of a contemporary event and it allowed us, the investigators, to retain characteristics of real life events such as managerial processes.

4.3.1 Sample Selection

According to Saunders and Thornhill (2000), sampling techniques provide a range of methods that enable you to reduce the amount of data you need to collect by considering only data from a sub-group rather than all possible cases or elements. The sampling techniques available can be divided into two types which are probability or representative sampling and non-probability or judgmental sampling. With probability samples the probability of each case being selected from the population is known and is usually equal for all cases. This means that it is possible to answer research questions and to achieve objectives that require you to estimate statistically the characteristics of the population from the sample. Consequently, probability sampling is often associated with surveys and to a lesser extent experiment research. For non-probability samples, the probability of each case being selected from the total population is not known and it is impossible to answer research questions or to address objectives that require you to make statistical inferences about the characteristics of the population. (ibid)

Due to the fact that we have used a qualitative research approach we could not produce statistical evidence based on probability sampling. Thereby, we have used the sampling technique of non-probability samples; the probability of our cases was not known and it was impossible to answer our research questions that required us to make statistical inferences about the characteristics of the population.

We selected two corporations for our case studies, “Polarbröd AB” and “Norrmejerier”. We chose to conduct our interviews with these companies due to the fact they matched with our certain criteria which were; they had to be Swedish, small and medium sized companies, producing consumer products, they had to operate on the international arena and they had to be of Nordic origin, located in the Nordic area. Furthermore, we both thought it would be of significance to look into two successful companies in this area. Polarbröd AB and Norrmejerier are leading within the daily goods industry and have a prospering export.

4.4 Data Collection Method

According to Yin (2003) there are six different data collection methods for case studies: *documentation, archival records, interviews, direct observation, participant observation and physical artifacts*. When gathering information for case studies a major strength is the opportunity to use many different sources of evidence. The use of several sources of evidence means that the researcher has the opportunity to obtain multiple measures of the same phenomenon that adds validity to the scientific study. Any findings or conclusions in a case study are likely to be much more convincing and accurate if it is based on several different sources of information following a supporting form. No single source mentioned has a complete advantage over all the others. The various sources are complementary, and therefore should a good case study use as many sources as possible. (ibid)

An *archival record can be as follows*: service records, organizational records, personal records, maps and lists. This method of data collection is usually more appropriate in quantitative studies and is therefore not used in this study. *Direct- and participant observations* are used when the intention is to study more human behavioural situations and therefore are excluded from this study since purpose is not to study such situations. *Physical*

artefacts are used when the aim is to study more cultural and/or technological features and even this method is irrelevant for this study. (Yin, 2003)

This study uses primarily two data collection methods, namely *documentation* and *interviews*. *Documentation* is applicable to almost every case study since it is a stable method that can be reviewed frequently. This type of information can take many forms and should be the object of explicit data collection plans. There are a variety of documents: letters, agendas, formal studies, newspaper clippings, articles etc. (Yin, 2003)

Interviews mean that data is collected directly from respondents and it is one of the most important sources of case study information. There are three common interview methods: open-minded, focused and structured. Interviews appear to be guided conversations rather than structured queries as in surveys. The actual stream of questions in a case study interview is likely to be fluid rather than strict. Most commonly, case study interviews are of an *open-minded nature*, which are not so structured, and the respondents are allowed to discuss the subjects more freely and can also express opinions and thoughts. Focused interviews contain a more informal discussion within certain boundaries of predetermined subjects. In structured interviews, the respondent is asked predetermined questions from an interview guide. (Yin, 2003)

We did two case studies and within each case study we performed one face-to-face interview. One interview was completed with the Export Manager of Europe and Other Markets and the Export Manager of Nordic Countries at Polarbröd AB. The other interview was completed with the Export Manager at Norrmejerier. We wanted to interview these persons due to the fact that they were the ones working with the international distribution and were therefore the best persons to talk to. Moreover, the export manager of Europe and other countries at Polarbröd had been working with the export and the international distribution at Polarbröd since it started, as well as the export manager at Norrmejerier. Therefore, they were most likely the persons who had the best knowledge in our research area. The export manager of Nordic countries at Polarbröd had been trained by the other export manager at Polarbröd and had a fresh mind, a university degree and previous work experience within export and international distribution. Therefore, was he a valuable person to interview. Prior to the interviews we sent them our interview guide and we taped the interviews with a tape recorder. Each interview lasted approximately three hours. We did a mix of an open-ended interview and a focused interview at both companies. Starting with a focused interview made it easy for us to gather the information that we needed but letting the interview also be a bit open-ended, it would possibly appear additional information that we had not thought of. We wanted to use documentation as a second source of evidence and thereby increase the validity by checking spellings, titles and also gather additional information. Our documentation consisted of different information, such as brochures and pamphlets that was handed to us by the companies. Moreover, by visiting their homepage www.polarbrod.se and www.norrmejerier.se we got an idea about the companies and their business.

The researcher can use *primary* and/or *secondary data*. Primary data are collected by the researcher himself/herself and somebody else collects secondary data for another purpose. (Holme & Solvang, 1997) The information that was gathered from the interviews is our primary data and the documentation is our secondary data.

4.5 Analysis of Data

Data analysis consists of three concurrent flows of activity according to Miles and Huberman (1994). They are:

1. *Data reduction*: should be considered to be a part of the analysis and not separate from it. The reduction is analysis that helps to sharpen, sort, focus, discard, and organize the data in a way that allows for final conclusions to be drawn and verified. Data can be reduced and transformed through such means as selection, summary, paraphrasing, or through being subsumed in a larger pattern. We used the data analysis to reduce our data in our research, by taking our empirical findings and lift out the variables that could be compared to the existing theory.
2. *Data display*: is the second major activity, which the researcher should go through, and it means taking the reduced data and displaying it in an organized, compressed way so that conclusions can be more easily drawn. As with data reduction, the creation and use of displays is a part of the analysis. In our study we used the data analysis to display our data in our research. We did this by performing within-case analysis on each case and put together both cases in a cross-case analysis.
3. *Conclusion drawing and verification*: is the final analytical activity for the qualitative researcher. It is here that the researcher begins to decide what things mean. Noting regularities, patterns, explanations, possible configurations, casual flows and propositions does this. We did this in our conclusion chapter because at that time we could use the data analysis to state our findings and from that draw our own conclusions.

According to Yin (2003) the analysis of the case study evidence is one of the least developed and most difficult aspects of doing case studies. There are no clear guidelines on how to analyze the material from a case study. However, every case study should start with a general analytic strategy and there are in general three strategies:

- *Relying on theoretical propositions* is the most common and used one. The result of it is the collection of data based on research questions taken from previous studies. When using this strategy the findings of the study will be compared to previous studies.
- *Thinking about rival explanations* tries to define and test rival explanations and can be related to the first strategy, in that the original theoretical propositions might have included rival hypotheses. It is relevant even in the absence of such theoretical propositions and is especially useful in doing case study evaluations.
- *Developing a case description* can be used as a strategy as well, but this is less favourable and it should only be used when little previous research has been done.

A researcher can analyse data in two analytic ways, namely *within-case analysis* and/or *cross-case analysis*. *Within-case analysis* means that the collected data from the case study is compared with existing theories and a cross-case analysis is appropriate if data are collected from more than one case. In the cross-case analysis data are not only compared to theory, but also to the data from the other cases. (Eriksson & Wiedersheim-Paul, 1999)

The general analytical strategy decided upon for this case study is the one where we relied on theoretical propositions. This strategy is appropriate since the research questions are taken from previous theory and also as the aim is to compare the empirical data against the results in

existing theories. Due to the fact that data has been collected from two different companies, within-case analysis together with a cross-case analysis were the most suitable to use in this study. The three strategies described by Yin (2003) are the basis for the data analysis. Data are reduced for the research questions in a within-case analysis. In the within-case analysis empirical findings are compared to the conceptualised theories. The cross-case analysis additionally reduces and displays data. The different findings are compared to each other in the cross-case analysis. In the final chapter, a contribution to conclusion drawing and verification is provided.

4.6 Quality Standards

Reducing the possibility of getting the answers to the research questions wrong means that attention has to be paid to two particular quality standards on research design: reliability and validity (Chisnall, 1997).

4.6.1 Validity

Validity is the quality of fit between an observation and the basis on which it is made according to Kirk and Miller (1987). Validity is concerned with whether the findings are really about what they appear to be about (Saunders & Thornhill, 2000). It refers to how well a specific research method measures what it claims to measure. For example, a thermometer is designed to measure temperature and a barometer to measure atmospheric pressure. It is generally more difficult to resolve validity than reliability. For a research measure to be valid, it must also be reliable (Chisnall, 1997).

Validity involves the agreement between the measurable value you get when using a measurable definition and the reality. It does not depend on the internal validity and you cannot estimate it without knowing how the empirical material has been gathered and look like. High validity is difficult to obtain since people might be lying or answering incorrectly. (Eriksson & Wiedersheim-Paul, 1999) We took this into consideration by ensuring that the respondents we chose for our interviews were the right persons to talk to. However, it is difficult to know whether the person has been honest or answers incorrectly.

All the respondents we interviewed were export managers and thereby the experts within international distribution channels at their companies. We have also collected documentation from both companies in order to increase the validity and make sure we have the correct information. We send the interview guides to the respondents in advance in order for them to prepare and provide us with all information we needed. Additionally, we used a tape recorder and took notes during the interviews in order to increase the validity. The notes were taken as a support if the tape recorder would break down.

4.6.2 Reliability

Reliability is the extent to which the same observational procedure in the same context yields the same information (Kirk & Miller, 1987). Reliability refers to the stability and consistency of the results derived from the research: to the probability that the same results could be obtained if the measures used in the research were simulated. Perfect coincidence of such measures would not be likely. However, acceptability could range over specified limits, expressed in the form of correlation coefficients. Essentially, reliability is concerned with the consistency, accuracy and predictability of specific research findings. (Chisnall, 1997)

According to Yin (2003) the objective with reliability is to be sure that if a later researcher would follow the exact same procedures described as an earlier investigator and would conduct the same case study all over again, the later investigator should arrive at the same findings and conclusions. One prerequisite for allowing another investigator to repeat an earlier case study is to document the procedures that you do i.e. case study protocol. Another way is to develop a case study database. The stages in our study are well documented since we have the questionnaire and the interviews we conducted were recorded. Furthermore, we have all the phone numbers and e-mail addresses to the people we contacted at Polarbröd AB and Norrmejerier.

The reliability of our study can be increased in a number of ways. We have in this thesis fully explained the procedures of our research, in this, as well as in every other chapter. We have also designed an interview guide, which shows how we have conceptualised the research questions. The same interview guide was used in both interviews. We have organized the data collected for each of the cases and structured our thesis so that following researchers or readers can retrieve any desired material. Furthermore, in order for us to perform the interviews in the most professional manner we conducted research, on both companies, by visiting their home pages, in prior to the interviews.

The reliability of our study can be reduced in two ways. First is if someone else would do the interviews again the respondents are likely to be more prepared because it has been done once before and the respondents will know what to answer. They might remember more and possibly add more depth into the interviews. Second is that over the years the procedures, techniques and processes might be changed or improved which means that the results of the study with the same nature of ours might take another turn.

4.7 Summary of the Methods

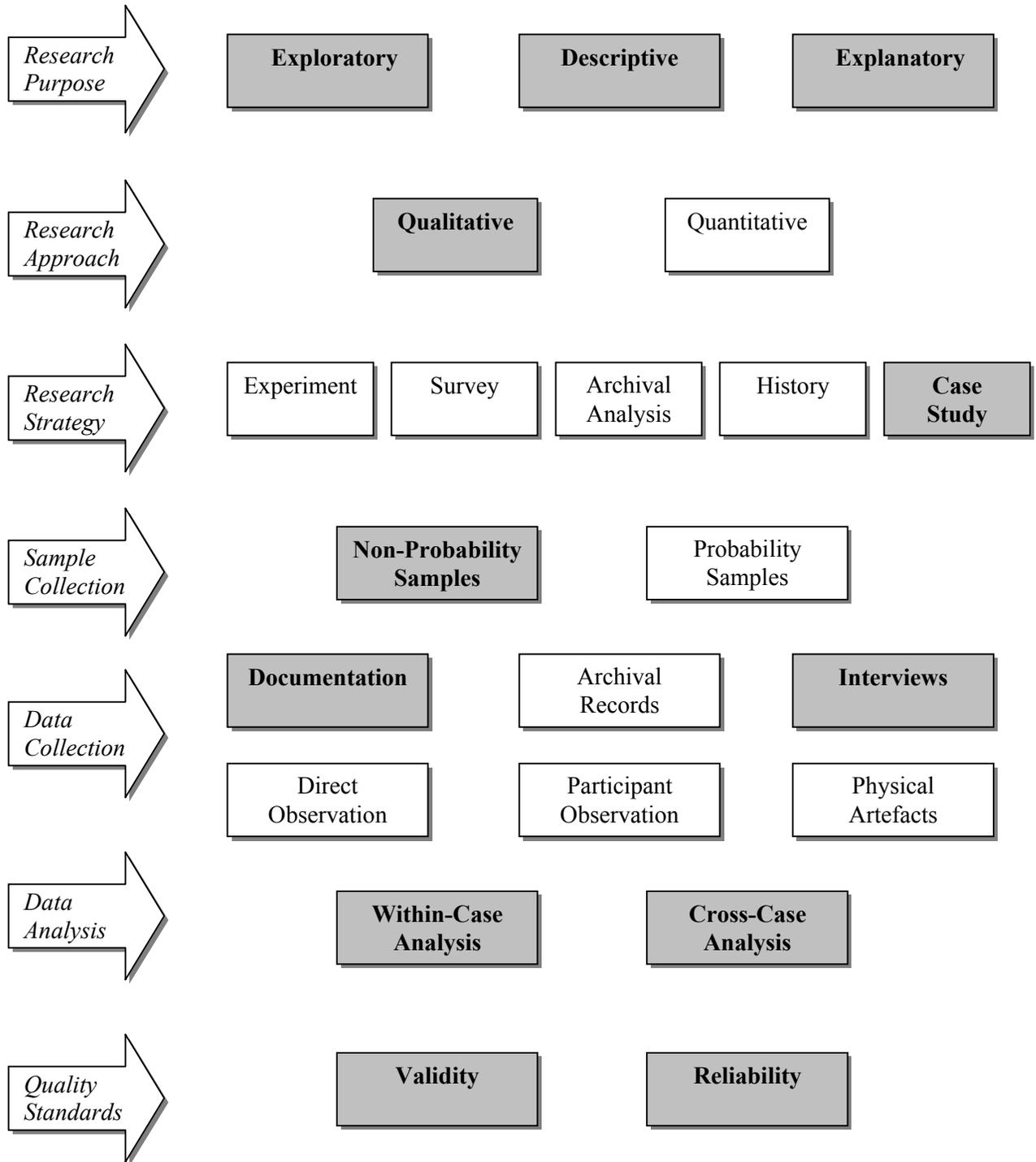


Figure 4.1: Summary of the Methods

5. EMPIRICAL DATA

This chapter will present the information gathered through interviews and documentation at Polarbröd AB and Norrmejerier. Initially we will present general information regarding both corporations. Thereafter, we will present the information concerning each research question, i.e. how international distribution channels can be described, how they are selected and how they are managed.

5.1 Polarbröd AB

Polarbröd was founded in 1972 by Gösta and Greta Nilsson. They produced the world's first deep-frozen sandwich, the polar sandwich. There are 440 employed at Polarbröd and during 2003 the turn over was 578 Million Swedish Kronor. Last year 35 500 tons of bread were produced at the three Polar bakeries in Älvsbyn, Omne, and Bredbyn, all in Sweden. Polarbröd is distributed all over Sweden and in other parts of Europe. It is now 32 years since Polarbröd began baking its traditional bread in a modern and efficient way. During this time Polarbröd has successfully developed its own market and created a strong brand. A customer survey made in 2003, rates Polarbröd among the top 25 brands in Sweden along with IKEA and Lego. (www.polarbrod.se, 2004-12-09)

Polarbröd has the following business concept: *“We offer our customers great bread and sandwiches of highest quality from the north of Sweden. The great success we achieve on a geographic large market is based on resource efficiency and unique competence in all directions.”* (www.polarbrod.se, 2004-12-09)

The largest and most important market is Swedish retail trade, where Polarbröd cooperate with Allbröd. Within the sector of major households Polarbröd is working with Adaco and within the export sector the major customers are Findahl & Krogh in Norway and Disal Group Original VD in France. Polarbröd has 14, 7 per cent of the bread market in Sweden which is the second largest market share in Sweden. The export of Polarbröd has had an immense increase during the last couple of years. The year of 2003 the export increased with 55 per cent. 11 per cent of the total production (2003), 85 Million Swedish Kronor, of Polarbröd is exported. Today there are 19 countries Polarbröd is exporting to and Norway and France are the two biggest export markets. The business area of major households had a very good development during the year of 2003. The export of Polarbröd is growing as more and more Europeans discover the sandwich bread from the north of Sweden. Very proud of these results, Polarbröd continuously strive to excel, not adding preservatives and working in the best possible harmony with nature. (www.polarbrod.se, 2004-12-09)

The data from this case study was collected through a personal interview. We interviewed two respondents at Polarbröd, both together at the same time. One respondent was the Export Manager of Europe and other markets who has worked at Polarbröd since 1997. The other respondent was the Export Manager of Nordic countries and has worked at Polarbröd since 2003.

5.1.1 The international distribution channel

Both respondents state that Polarbröd started to export in 1985. At that time the turn over of export was about ½ Million Swedish Kronor. It was not until 1997 Polarbröd seriously started to invest time and money in the export and further develop the international distribution channels due to the fact that Polarbröd saw the potential and demand in markets abroad. Since 1997 there has been a constant growth of export. Norway and France are the biggest export markets of Polarbröd. Common for both of these markets is that there is one agent/distributor that covers the whole market in each country. The distribution channel to Norway include an importer – agent/distributor – who distributes to wholesalers, who in their turn sell it to retailers who sell the Polarbröd products in their stores to the end consumer. During the whole channel the products remain frozen until they come to the retailers. Polarbröd choose to use agents/distributors due to the fact that the local agents/distributors know the language and culture and have an established network which Polarbröd can gain from. Furthermore, the local agents/distributors know how to conduct business in that country market.

Both respondents state that the agent/distributor must have facilities to store the Polarbröd products and keep them frozen. It is the responsibility of the agent/distributor to make sure that the products stay frozen until the staff in the retail trades unpack the products, defreeze, and date them. The distribution channel to France is a bit different from the one to Norway. It includes an importer – agent/distributor – who further distributes to either industries or wholesalers and further on to retailers that sell to the end consumer. The industries use the Polarbröd in sandwiches they make and then further sell them to retail trades or companies. Wholesalers sell the Polarbröd to cafés and bakeries which use the bread in their sandwiches. The Polarbröd brand is not printed on the package of the sandwiches; the brand is on the package when the product has not been refined. Polarbröd is always pursuing to find an agent/distributor for each country market but for example in Spain it is not possible due to the fact that it is hard to find an agent/distributor that is able to cover both storage and the entire market. Therefore, Polarbröd has established its own storages and has instead found a contact person to work for them who is coordinating the sales of the Spanish market. The contact person in Spain finds new customers and conducts follow-up visits. Each agent/distributor covers generally the entire country market he or she operates in.

The marketing strategy is mainly outlined by Polarbröd but Polarbröd holds discussions with the agents/distributors so that the final marketing strategy merges out of those discussions. Polarbröd finance the entire marketing campaign and the build up of the brand, Polarbröd wants total control of the campaign and what it involves. The respondents state that “it is our business and our brand”. There are regular discussions held in order to improve the campaign and keep all parties satisfied. The agent/distributor in each market discusses and negotiates with the retailers what they are obligated to do in the marketing campaign. The products of Polarbröd are directed to the consumer market. Both respondents state that it is vital that the marketing of the products in the retail trades are responding to the guidelines from Polarbröd in order to deliver the Polarbröd brand in a uniformed manner to all end consumers. The Polar method which means that the bread is frozen directly after baking, without adding any preservatives, and will then be distributed in an unbroken frozen chain, is vital to maintain. Polarbröd always has total control of the entire distribution channel in order to make sure that Polarbröd delivers what is being promised. The product is of high quality and has a high price; the channel must not do anything to hurt that.

5.1.2 The selection process

It is crucial that the agents/distributors are able to handle and store the goods according to both respondents. They must have capacities to store the Polarbröd products and keep them deep-frozen through the entire channel. When selecting the agent/distributor existing relations on the local market are central due to the fact that it might result in valuable contacts and customers for Polarbröd. Moreover, if the agent/distributor has good relations to its customers Polarbröd will gain from that and establish a good reputation. The products will more likely be sold since the customers trust the agent/distributor. Polarbröd prefer the agents/distributors to be small- or medium sized companies due to the fact that Polarbröd demands great focus on its own products. If having an agent/distributor that is a big company the Polarbröd products might disappear in the large assortment of products and the agent/distributor has not the time or energy to put its focus on Polarbröd. Both respondents state that the collaboration between Polarbröd and its agents/distributors should go both ways. The agents/distributors must feel that they grow through collaboration with Polarbröd. Moreover, both of the respondents state that they attend seminars in order to learn more about the various cultures Polarbröd is conducting business with. Furthermore, Polarbröd must make sure that all intermediaries in the distribution channel can handle the relations with all the involved parties according to both respondents.

The respondents were given the criteria list presented in chapter two and stated that all criteria on the list were more or less considered. The three most important criteria were Goals and strategies, Reputation among suppliers, customers and banks and Willingness to cooperate with the exporting company. The criterion Goals and strategies is important due to the fact that both partners have to work towards common goals and use common strategies in order to successfully deliver the products and brands of Polarbröd. Reputation among suppliers, customers and banks is important due to the fact that Polarbröd only wants to be associated with companies that have good reputation. Present status and position on the market of the agent/distributor is an important consideration during the selection process. Willingness to cooperate with the exporting company is crucial according to both respondents. In addition to willingness to cooperate, the respondents further add that the agent/distributor must show commitment to Polarbröd and its products. If there is willingness to cooperate there is a good foundation for future positive and prospering relations. A criterion which is considered to be quite important is Size of the firm and Financial strength/credit rating. Both respondents state that there are both pros and cons of Size of the firm. A pro with a big company, is that it generally has a good reputation and position, is well established on the market and has access to a valuable network. A con with a big company is that the process to distribute the products of Polarbröd might be slow and the focus Polarbröd requires is not there. Polarbröd demands heavy focus on the products and an agent/distributor that wants to grow and prosper along with Polarbröd. Financial strength/credit rating is an indicator which shows the general state of the agent/distributor. However, it is not a key criterion due to the fact that there are so many more factors to consider. There have been cases where all factors indicated that the agent/distributor was the most suitable for Polarbröd, until Polarbröd was given the credit rating of that agent/distributor, which was almost disastrous. Polarbröd decided to pursue a more thorough investigation and found reasonable explanations. Both respondents state that when selecting an agent/distributor the exporting company must consider many criteria and not put too much faith in just one in order to get a wider and more truthful picture. The criteria that were not important were Knowledge of English or other relevant languages due to the fact that that can always be arranged through external service, for example hire an interpreter.

When locating prospective agents/distributors Polarbröd generally goes through contacts that have been established by customers and word-of-mouth. Moreover, Polarbröd locates prospective agents/distributors by using the Swedish Trade Organization which collects data on various agents/distributors that might be of interest to Polarbröd. Polarbröd also attend trade fairs in order to locate prospective agents/distributors. Often Polarbröd receives spontaneous inquiries from interested agents/distributors. There are also inquiries whether or not Polarbröd can refine its product into what the agent/distributor desires and Polarbröd tries to correspond to their wishes. Both respondents state that personal visits are a natural step in the process when selecting the agent/distributor. The respondents state that they always try to collect information from various sources in order to get the general history of an agent/distributor. However, if there is one “bad” factor discovered in the past of the agent/distributor there are often logical explanations and Polarbröd does not drop the agent/distributor right away but tries to find what the explanation is. There must be a personal meeting. Finally, Polarbröd does not choose agents/distributors that have competitive products in their assortment. The idea is to get together and emerge into a stronger force in order to deal with or beat competition. During the trade fairs Polarbröd meets other colleagues who all work within the same business and thereby there are relations built over time. This clientele of bread producers and other actors is quite small compared to other businesses and after some time the participants get to know one another. This results in a trust where prospective agents/distributors usually are known already, if not by Polarbröd, by other participants within this clientele that can give recommendations or advice.

5.1.3 Channel Management

Polarbröd has closed deals with its agents/distributors. According to both respondents the contracts Polarbröd signs with its agents/distributors include the following: the agent/distributor must have facilities to store the deep-frozen products, it must obedience the price strategy, the budget must be followed and the agent/distributor must remain exclusive in order to maintain the confidence between both parties. The focus must always remain on the Polarbröd products.

Both respondents state that there is first a contract written in Swedish which is reviewed by a lawyer. When writing contracts with exporting countries there is always a lawyer needed due to the fact that there are different procedures and practices to follow, depending on the country in question. The contract is send back and forth with changes from both parties which finally ends up in the closing contract. With established agents/distributors there are always written contracts. With new agents/distributors Polarbröd awaits and sees how well the agent/distributor in question works along with the Polarbröd guidelines and wishes. In what stage the deal/contract is written depends on what time of the year it is. The contract is written for 2-3 years and if the collaboration works and the agent/distributor does a good job the contract is renewed on a regular basis.

Polarbröd tries to build nourishing relations with its agents/distributors. The personal chemistry is important; it works just like in various social circumstances where people feel one another and from that build the relationship state the respondents. With established agents/distributors, for example France, there are long-term relations. Where the collaborations with the agents/distributors runs well the aim is always to establish long-term and close relations. In order to build up long-term and close relations the respondents state

that it is important to interact with the agents/distributors in addition to business. For example, Polarbröd invites agents/distributors to Älvsbyn and do sightseeing and various activities of the north of Sweden.

The relation to agents/distributors is considered as a competitive advantage. Both respondents emphasize the importance of a giving relation with the agents/distributors where both parties gain from one another. Of course a close relation is a competitive advantage but both respondents state that if not having a close relation to the agents/distributors there is no point in pursuing further business. Polarbröd motivate its agents/distributors in a number of ways. Some motivating factors that are utilized are bonuses, rewards, for example a percentage of the profit, and trips. Polarbröd communicate with its agents/distributors on a regular basis. Personal visits take place from four times a year and more. Communication over the phone and e-mailing takes place once a day or at least several times a week. This is in general, but it depends on what relation that has been established. If there is not much Polarbröd can do to help or guide in any way, there is reason to communicate that often. For example, Greece has its own concept where there are restaurants that buy the bread from Polarbröd and then refine it in their own products at the restaurants. Polarbröd's main purpose in those cases is to make sure the delivery is on time and that the quality of the products is maintained. There is no further help and guidance required or necessary, the communication runs on a regular basis but not very often, as long as business run smooth.

Goals are formulated in a five-year plan, which is further divided into yearly plan, which in its turn is divided into monthly goals. This plan is formulated by both parties. The goals are based on sales figures and profit.

There is almost no training conducted by Polarbröd. Polarbröd invites its agents/distributors to the factory where the bread is produced in order to inform the parties of the process that takes place and to get to know the values with the product and how to handle it. This happens in an early stage of the collaboration with the agents/distributors according to both respondents. From then on, the agents/distributors "live" with the product and a "living process" takes place. Due to the fact that Polarbröd demands focus on its products from the agent/distributor it results in a natural learning process about the products and its constant developments. Thereby there is a constant exchange of information from both parties. Information is gathered from measurements of sales figures, trade fairs and from the demonstrators from the retail trades. Moreover, the demonstrators that work in the various retail trades are trained in order to demonstrate the Polarbröd products in the right manner. However, this training is the responsibility of the agent/distributor. Evaluations of the agent/distributor take place regularly, in terms of measurements conducted by Polarbröd. Polarbröd uses the information that has been gathered from the various measurements and evaluates it. The respondents state that Polarbröd needs improvements on training.

According to the respondents Swedish people are quite afraid of conflicts and avoid as long as they can. However, when going abroad there are cultures where conflicts is a common occurrence and where it is no big deal, when conducting business. On the contrary, for example in France, business people think it is good to have conflicts in order to open up and feel free to state one's opinion. Most often conflicts arise from the budget planning and when negotiating the price. When dealing with conflicts it is important to use common sense according to both respondents. Conflicts with business associates are no different from conflicts with family or friends in that manner.

5.2 Norrmejerier

Norrmejerier is a cooperative association owned by the dairy farmers in Norrbotten, Västerbotten and the northern part of Ångermanland, in Sweden. Norrmejerier has two factories, one located in Umeå and the other one located in Luleå. Including the 478 employees, the business generates ca. 5 000 regional jobs, mainly outside the built-up areas. The mission is, with the greatest possible respect for the environment, to collect, process and market the owners' milk production. Norrmejerier's basic products include a wide range of milk, cultured milk and cream.

Norrmejerier economical association has the following business concept: *“We will, by offering the consumers tasteful products of high quality, create a good long-term earning capacity for our members”*.

In an effort to build a strong position for the niche products in a broad market, Norrmejerier has developed a number of strong product brands. Each has its own specially determined profile with the task of being seen and attracting its target group. Norrmejerier owns a number of strong brands. The best-known of these, and at the same time the oldest brand, is Västerbottensost®. Another is Verum®, first registered in 1992 and now familiar throughout the country, and today a family trademark for the popular range of Verum® Hälsofil, Verum® Hälsoyoghurt and Verum® Drickyoghurt products. JOKK®, Norrmejerier's trademark for berry drinks, first entered the market in 1989 and has since become very popular among consumers in Sweden and abroad especially in Austria. The Gainomax® Recovery trademark has been on the market for more than ten years. Today the trademark is well recognized at sports centres and gymnasiums in a number of countries as a recovery drink for elite sportsmen and participants in recreational sports. This also gives Norrmejerier an important role to play as a driving force for preserving and developing a living countryside. At the Nordan factory in Luleå the products are manufactured with a long shelf life according to the UHT method. UHT stands for Ultra High Temperature and is a method of heat treatment which gives a shelf life of four to twelve months without the addition of preservatives. Exporting would not be possible if the UHT method had not been developed. The UHT method is a condition for Norrmejerier's export. The products that are exported are Västerbottensost (cheese), JOKK lingonberry drink, Gainomax protein drink and Plupp milk drink. 10 per cent of the production of Norrmejerier is exported.

The data from this case study was collected through a personal interview. We interviewed one respondent at Norrmejerier who has worked for the company for 12 years. His position since the past five years is the Product Manager of Export and previous to that he was the Product Manager.

5.2.1 The international distribution channel

The respondent states that Norrmejerier started to export five years ago due to the fact that there was a market for the products of Norrmejerier abroad. Norrmejerier started to operate in the northern region of Sweden and went to the southern region after some time. After that, Norrmejerier continued to expand and discovered a market abroad. This is a natural development of a company when dairies go from traditionally operating at a local level to start up big factories but few with a more intense distribution than previous. Other factors that contribute to why Norrmejerier started to export are EU and new technology; EU in terms of

an open market where there are no customs any longer and new technology in terms of that the UHT method was developed, which made it possible for the products to stay fresh long enough. Ten per cent of the production is exported. The main export market is Scandinavia and following export markets are England, Ireland and Austria. There are also some additional export markets like Russia and the US but at present these markets are quite non-existent.

There is only one person at Norrmejerier who works with export and that is the Product Manager of Export, our respondent.

The international distribution channel varies from country to country, and from product to product. Gainomax has an agent/distributor in each country, except from Finland which has two agents/distributors. In Finland there is one agent/distributor who distributes to gyms which in its turn sells to the consumer. The second agent distributes to wholesalers (Inex and Kesko) which in their turn distribute to retail trades which sell to the consumer. In England and Norway the agent/distributor sells to gyms which in turn sell to the consumer, just like the one agent/distributor in Finland. When the distribution channel includes retail trades it is much more complicated. Heavier marketing is needed.

Norrmejerier chooses to use agents/distributors due to the fact that these intermediaries know the market in the country they operate in. The wholesalers, gyms and retail trades which purchase the product demand a contact person in the same country due to availability, communication, culture and language.

Responsibilities and obligations of the intermediaries vary from country to country. All countries must be able to storage the products in order to deliver the product in its best condition. Many countries are responsible for the entire marketing campaigns. Some countries where Norrmejerier sees great potential and lucrative markets, it wants to invest more extensively and working on building up a high quality brand. In this case, Norrmejerier wants the total control of the marketing and wants to decide what all marketing material should look like. Therefore, Norrmejerier finance all activities related to the marketing such as promotion, sponsor agreements and advertisement. The respondent states that depending on the market, the investments vary.

The agent/distributor in each country decides how much capacity he or she has to cover the geographical area. In the past the agent/distributor has been given exclusive rights of the entire country due to the fact that Norrmejerier was satisfied when finding any intermediaries at all who wanted to distribute Norrmejerier's products. Many intermediaries demanded for exclusive rights even though they did not have capacity for it. Nowadays Norrmejerier is much more careful handing out exclusive rights due to the fact that the agent/distributor has failed with satisfying the demand of the geographical area. For example, at present, the agent/distributor is handed specific intermediaries to use. In Finland, the two agents/distributors have been given the Finland market all together, however, one agent/distributor has been given the gym sector, and the other agent/distributor has been given the retail trade sector. In the other countries there is only one agent/distributor to cover the entire country but that depends on that the sector or sectors are limited.

5.2.2 The selection process

Of all international distribution channels of Norrmejerier it has been invested most time and money in the one to Finland which depends on that that market is the biggest of all export markets of Norrmejerier. It is about 1 Million Swedish Kronor that has been invested in Finland. In Austria where JOKK is distributed there are only two retail chains that are selling the drink and therefore there is not much time or money invested in that distribution channel. Germany is a small market where the demand is poor and therefore it was included in the Austrian distribution channel. Overall, there is not much invested in the brand when distributing abroad due to the fact that Norrmejerier wants to enter the foreign market as fast as possible and therefore focuses mainly on the product instead of the brand. For example, when JOKK is distributed to Austria the marketing of it is focused on the lingonberry drink and that it is from Sweden. In order to market the brand JOKK, it would require too much time and money, the respondent states that it takes about three years to build up a brand. In Austria, Swedish products have an advantage due to the fact that Sweden has a good reputation. Many Austrians associate Sweden with Ingmar Stenmark, the former Swedish pro skier, who is still much known and beloved in Austria.

The respondent states that when Norrmejerier selects the agent/distributor either it follows the rulebook or it is just random. According to the rulebook there should be market researches conducted in order to find out what other products there are, what competition there is, prize strategies, and what potential market share Norrmejerier has to gain there. Norrmejerier do this on its own or use organizations like the “Swedish Trade Organization” or “Food from Sweden” to perform the market research. From time to time Norrmejerier advertise in the trade press and then there are hopefully 5-10 responses which later on are evaluated. Norrmejerier also use trade fairs and work shops to find agents/distributors. This might awaken an interest with various agents/distributors which might lead to collaborations. Taking part in trade fairs and having work shops is an advantage when looking for agents/distributors due to the fact that Norrmejerier gets to have a face-to-face dialogue right away. This results in a more valid impression of the agent/distributor than the ones where the first contact is pursued through e-mails or letters. However, the selection can also be through contacts, such as word-of-mouth or previous collaborators. Then it is more of a random nature. There are also spontaneous inquiries to Norrmejerier, but these are few and do not give anything in many cases. The respondent states that when looking for an agent/distributor a company has to take an active part by looking for potential contacts.

The respondent states that Norrmejerier wants to know what products the agent/distributor are working with at the present and what turn over the agent/distributor has. Later on there is a meeting where the agent/distributor is located where the respondent meet the agent/distributor in question. This personal meeting is followed by an evaluation which will lead to the final candidate. The respondent further states and especially emphasises that it is vital that the agent/distributor “feels” for the product and shows commitment. This is the most important criteria when selecting the agent/distributor. The agent/distributor is obliged to not have any competing products, only complementing. However, there are no alternatives for the cheese which is distributed to the US market; the agent/distributor will have other cheeses in its assortment. The respondent emphasizes that the cheese Norrmejerier is distributing to the US market is the Västerbottensost, which has a characteristic taste. It would not work with a mainstream flavoured cheese - then the competition would be too hard.

The respondent was given the criteria list presented in chapter 2 (see page xx) and stated that all criteria on the list were considered more or less. The five most important criteria were Goals and Strategies, Trading areas covered, Sales organization and quality of sales force, Lines handled and finally Willingness to cooperate with the exporting company. Financial strength/Credit rating is considered as quite important according to the respondent due to the fact that it generally gives a good total picture of the agent/distributor. However, it is difficult to collect that type of information abroad compared to Sweden where that type of data is official. Knowledge of English or other relevant languages is another criterion which is considered as quite important. When an agent/distributor and the exporting company cannot communicate in a common language the exporting company is forced to employ an interpreter which results in more costs, complicated communication and an indirect dialogue.

Two criteria that were considered as not important were Size of the firm and Relations with local government. Size of the firm is not important, once again the respondent emphasise that the agent/distributor shows true commitment. If the agent/distributor is a high-scale operating company it easily happens that the exporting company is not invested in that much, in terms of energy and money, since there are several other exporting companies to consider for the agent/distributor. Therefore, it might be best to choose a low-scale operating company. However, then there is the issue of lack of experience and not as many important connections which the high-scale company might have. According to the respondent another criteria which is not that important is Physical facilities due to the fact that it is not a good indication of how the agent/distributor will perform. For example, the present agent/distributor in England started to operate, having poor physical facilities in terms of a small basement. Two years later he had expanded and is now having large and great storages.

5.2.3 The channel management

The respondent states that contracts are occasionally hard to seal. In the previous Norrmejerier has signed contracts as soon as possible which in some cases have resulted in agents/distributors that do not fulfil their responsibilities and objectives and the surrounding environment might change. Norrmejerier is still obligated to follow the contract and have been stuck in a misfortunate situation. Nowadays, previous experience tells Norrmejerier to wait for about one year before they set any agreements and sign any contracts. Norrmejerier has become much more careful and always start off with one year test period with no obligations.

With the long-term agents/distributors there are signed contracts that run for 2 years or more and are constantly renewed if the collaboration is successful. The agent/distributor is obliged to follow the secrecy of the products which is always stated in the contracts. All product information that is classified as secret must stay within the company of the agent/distributor. Other conditions stated in the contract are payment, period of notice, category of customers, royalty and what geographical area to cover. Moreover, it is stated that it is not allowed to transfer the contract and it is not allowed to distribute competing goods. There are lawyers present from time to time, generally to avoid misunderstandings when the culture gap is an issue. Having a lawyer present makes both parties feel safe and trust the contract; it has been formed clearly and with no question marks.

According to the respondent the relations vary from agent/distributor to agent/distributor. With some agents/distributors, for example the ones in Finland, there are close and long-term

relations compared to the one in France which is formal and not that reliable. If close personal relations occur and the chemistry between the parties works, it is very much an advantage due to the fact that trust, commitment and confidence are created and both parties work towards common goals. The respondent continues by stating that close personal relations is a competitive advantage. However, the respondent also states that businesses can be successful even though there are no close relations. In terms of how frequent the communication is with the agents/distributors, the respondent states that there is generally one phone call a month and personal visits vary from 1-6 times a year. Generally, collaborations continue in a natural manner and then there is not much need for communication according to the respondent. Both parties know where they have each other and trust one another. The communication is more frequent when there are new investments or projects planned, or if it is a market Norrmejerier put much investment in, in general, for example Finland.

Norrmejerier tries to motivate its agents/distributors in terms of various discounts, support on trade fairs the agent/distributor attend to and inviting agents/distributors to the factory. Moreover, the fact that Norrmejerier is a dairy is a quality seal on for example the Gainomax product. Gainomax is a protein drink which is used within the fitness sector and the fact that it is manufactured by a dairy increase the credibility of the product. Protein drinks in general have a damaged reputation due to the fact that many of these drinks have in the past contained steroids. Therefore, still today, protein drinks are associated with steroids and low quality. Norrmejerier set goals for the agents/distributors for one year period, in terms of sales volume. The respondent states that this is not a big part of Norrmejerier's channel management. Hopefully, the agents/distributors do this on their own.

The respondent states that training is not invested in at Norrmejerier. There are scarcities in this area where agents/distributors do not speak the same language. It is assumed that agents/distributors have knowledge of the product but the respondent admits that this is not always the case. The feedback from both parties should increase; the training should be on a regular basis and evaluate what has not worked and what has been successful. The respondent further states that Norrmejerier evaluate the performance of the agent/distributor in terms of looking at sales figures. As long as sales figures are satisfying, Norrmejerier has no further reason to look into the performance of the agent/distributor. The agents/distributors share its information of the product of Norrmejerier they distribute. There is an open dialogue of how it is received on the foreign market and what positive or negative opinions have been raised. The respondent states that Norrmejerier tries to absorb and learn from this information.

When conflicts occur the respondent states that he has to act in common sense, but it is always difficult to handle conflicts. Most conflicts arise due to price arguments. Agents/distributors who have worked with Norrmejerier's product/products for several years consider that they should have a better price than other and new agents/distributors of Norrmejerier. Payments can also be a source of conflicts. Due to the fact that Sweden generally has a period of 30 days to pay invoices while abroad there are generally 45-60 days of paying invoices, there might occur misunderstandings and frustration. The respondent states that it is vital that this is carefully outlined in the contract in order to avoid conflicts. Interest invoices and collection of debts are ignored in some countries and there is not even any point in sending them out. Furthermore, the respondent states the Norrmejerier is quite generous when handling reclamations. Due to the fact that the products often are far away it will cost Norrmejerier more to get the product back to Sweden in order to examine it. When this occurs Norrmejerier saves more money by trusting the customer and give him or her compensation.

6. DATA ANALYSIS

In this chapter, we will provide an analysis of our empirical findings. We will first perform a within-case analysis of case one, where we analyze each research question against our conceptualized framework. Then we will do the same thing with case two. Finally, we will provide a cross-case analysis, where our two cases are compared to each other.

6.1 Within-case Analysis: Polarbröd AB

6.1.1 RQ 1: How can an international distribution channel be described?

The first research question concerns how the international distribution channel can be described. In order to analyse our first research question we have selected a figure (see figure 6.1) adapted from the theory. This figure is frequently used and generally accepted within distribution research.

All products whether they be consumer goods, industrial goods or services require a channel of distribution according to theory. Channels can vary from direct, producer-to-consumer types to elaborate, multilevel channels employing many types of intermediaries, each serving a particular purpose. The first channel in figure 6.1, producer to consumer, is considered to be very direct compared to for example the fifth channel, which includes four intermediaries, according to theory. Our empirical findings show that the forth and fifth channel from theory where agents/distributors are used in order to export and reach the end consumer are applied in the international distribution channels of Polarbröd (the channels used are marked with bold letters). Norway and France are the biggest export markets of Polarbröd. Common for both of these markets is that there is one agent/distributor that covers the whole market in each country. The distribution channel to Norway includes an importer, which is the agent/distributor, who distributes to wholesalers, who in their turn sell it to retailers who sell the Polarbröd products in their stores to the end consumer. The distribution channel to France is a bit different from the one to Norway. It still includes an importer – agent/distributor – who further distributes to either industries or wholesalers that further distribute to retailers that sell to the end consumer. The industries use the Polarbröd in sandwiches they make and then further sell them to retail trades or companies. Wholesalers sell the Polarbröd to cafés and bakeries that use the bread in their sandwiches. The channels in bold letters are used.

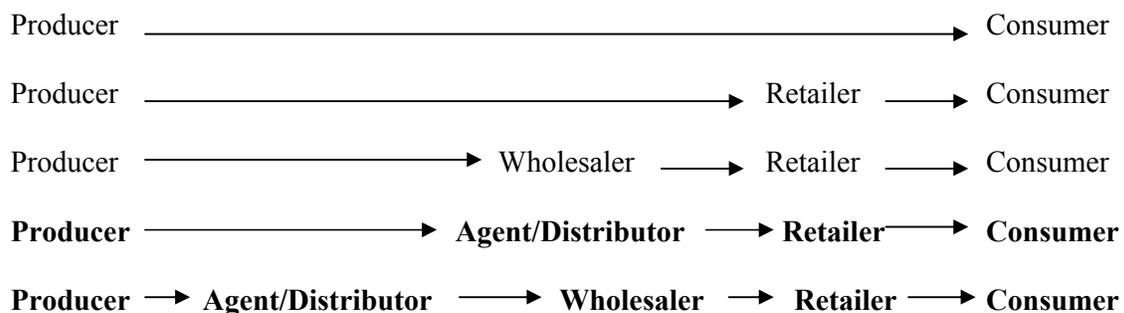


Figure 6.1: Five alternative consumer channels

SOURCE: Adapted from Jobber, 2001, p. 469, Czinkota & Ronkainen, 2004 p.335 and Albaum et al, 1998 p. 196

According to theory exporting companies that enter international markets, chooses to use agents/distributors due to the fact that it does not require as much investment in terms of time and money. Our empirical findings comprehend to the theory. The reason why Polarbröd uses agents/distributors is that the local agents/distributors know the language and culture and have an established network that Polarbröd can gain from. Furthermore, the local agents/distributors know how to conduct business in that country market. By doing this they save time and money, which the theory states.

According to the theory exporting companies may hand over the responsibility of choosing the rest of the distribution channel in terms of intermediaries, the marketing and the storage of products to the agent/distributor. Our empirical findings show that Polarbröd always has total control of the entire international distribution channel in order to make sure that Polarbröd delivers what is being promised. Both respondents state that the agent/distributor must have facilities to store the Polarbröd products and keep them frozen. It is the responsibility of the agent/distributor to make sure that the products stay frozen until the staff in the retail trades unpack the products, defreeze, and date them. The marketing strategy is mainly outlined by Polarbröd but Polarbröd holds discussions with the agents/distributors so that the final marketing strategy merges out of those discussions. Polarbröd finance the entire marketing campaign and the build up of the brand. Polarbröd wants total control of the campaign and what it involves. The respondents state that “it is our business and our brand”. There are also regular discussions held in order to improve the campaign and keep all parties satisfied. The agent/distributor in each market discusses and negotiates with the retailers what they are obligated to do in the marketing campaign. The products of Polarbröd are directed to the consumer market. Both respondents state that it is vital that the marketing of the products in the retail trades are responding to the guidelines from Polarbröd in order to deliver the Polarbröd brand in a uniformed manner to all end consumers.

According to the theory an agent contacts wholesalers or retailers and receives commission on sales. A distributor is an independent company which purchases the products of the producer. The theory states further that the distributor has the entire responsibility of the rest of the distribution channel such as choice of intermediaries, storage and marketing and an agent has various responsibilities depending on the agreement with the producer.

Our empirical findings show that Polarbröd uses a distributor but calls the distributor a partner and not distributor. This is due to the fact that the partner purchases the products from Polarbröd, it has the required storage facilities, and does not receive commission on sales as an agent. However, the distributor of Polarbröd is not independent which a distributor is according to theory. Polarbröd remains the main control of the marketing. According to theory a distributor sells the products in its own brand name or uses the exporter’s brand name. Our empirical findings show that this depends on what type of channel it is. The Polarbröd brand is not printed on the package of the sandwiches which is produced by the industries Polarbröd sells to in France. However, the brand is on the package when the product has not been refined.

6.1.2 RQ 2: How can the selection process of an international distribution channel be described?

The second research question concerns how the selection process of an international distribution channel can be described. In order to analyse our second research question we

will use a four-phase frame from theory which states that when the exporting company decides to use an intermediary it must initiate a selection process in order to select high-quality intermediaries. According to theory the four phases are drawing up the intermediary profile, locating intermediary prospects, evaluating intermediary prospects and finally choosing the intermediary. Our empirical findings show that the selection process of Polarbröd comprehends to the theory.

According to Czinkota and Ronkainen (2004) and Root (1998) the first phase lists all the criteria a company should look for in a prospective intermediary for a foreign target market. Some criteria are determinant due to the fact that they form the core dimensions along which candidates must perform well, whereas some criteria may be used only in preliminary screening. Before signing a contract with a particular intermediary, the exporting company should satisfy itself on certain key criteria. Our empirical findings show that Polarbröd's first phase comprehends to the theory in major and that most of the criteria on the list were considered but not separately.

1. Drawing up the intermediary profile	Polarbröd
• Goals and strategies	Very important
• Size of the firm	Important
• Financial strength	Important
• Reputation with suppliers, customers and banks	Very important
• Trading areas covered	Not considered
• Compatibility	Not considered
• Experience in products/with competitors	Not considered
• Sales organization and quality of sales force	Not considered
• Physical facilities	Very important
• Willingness to carry inventories	Very important
• After-sales service capability	Not considered
• Knowledge/use of promotion	Not considered
• Record of sales performance	Not considered
• Relations with local government	Not considered
• Communications	Not considered
• Overall experience/attitude/commitment	Important
• Lines handled	Important
• Cost of operations	Not considered
• Knowledge of English or other relevant languages	Not important
• Knowledge of business methods in the exporting company's country	Not important
• Willingness to cooperate with the exporting company	Very important

The theory states that each criterion on the list is considered separately and this does not comprehend to our empirical findings which shows that there are just a few criteria considered separately. The criteria that were considered separately were the ones rated very important and important. The criteria that were not important are not paid much attention to from Polarbröd. The criteria that were not considered were put together as one criterion by Polarbröd.

The criterion Goals and strategies is very important due to the fact that both partners have to work towards common goals and use common strategies in order to successfully deliver the products and brands of Polarbröd. A criterion which is considered to be quite important is Size of the firm and Financial strength/credit rating. Both respondents state that there are both pros and cons of Size of the firm. A pro with a big company, is that it generally has a good reputation and position, is well established on the market and has access to a valuable network. A con with a big company is that the process to distribute the products of Polarbröd might be slow and the focus Polarbröd requires is not there. Polarbröd demands heavy focus on the products and an agent/distributor that wants to grow and prosper along with Polarbröd. Polarbröd prefer the agents/distributors to be small- or medium sized companies due to the fact that Polarbröd demands great focus on its own products. If having an agent/distributor that is a big company the Polarbröd products might disappear in the large assortment of products and the agent/distributor has not the time or energy to put its focus on Polarbröd. Financial strength/credit rating is an indicator which shows the general state of the agent/distributor. However, it is not a key criterion due to the fact that there are so many more factors to consider. There have been cases where all factors indicated that the agent/distributor was the most suitable for Polarbröd, until Polarbröd was given the credit rating of that agent/distributor, which was almost disastrous. Polarbröd decided to pursue a more thorough investigation and found reasonable explanations.

Physical facilities and willingness to carry inventories are very important. It is crucial that the agents/distributors are able to handle and store the goods according to both respondents. They must have capacities to store the Polarbröd products and keep them deep-frozen through the entire channel.

Reputation with suppliers, customers, and banks is one of the most important criteria according to both respondents due to the fact that Polarbröd only wants to be associated with companies that have a good reputation. Present status and position on the market of the agent/distributor is an important consideration during the selection process. When selecting the agent/distributor existing relations on the local market are central due to the fact that it might result in valuable contacts and customers for Polarbröd. Moreover, if the agent/distributor has good relations to its customers Polarbröd will gain from that and establish a good reputation. The products will more likely be sold since the customers trust the agent/distributor. Polarbröd must make sure that all intermediaries in the distribution channel can handle the relations with all the involved parties according to both respondents. Lines handled is an important criterion according to both respondents. Polarbröd does not select agents/distributors that have competitive products in their assortment. The idea is to get together and emerge into a stronger force in order to deal with or beat competition. However, if agents/distributors have complementing products it is ok.

The criterion that was not important was Knowledge of English or other relevant languages due to the fact that that can always be arranged through external service, for example hire an interpreter.

Willingness to cooperate with the exporting company is crucial according to both respondents. In addition to willingness to cooperate, the respondents further adds that the agent/distributor must show commitment to Polarbröd and its products. If there is willingness to cooperate there is a good foundation for future positive and prospering relations. Willingness to cooperate with the exporting company should go both ways. The

agents/distributors must feel that they grow through collaboration with Polarbröd. Both of the respondents state that they attend seminars in order to learn more about the various cultures Polarbröd is conducting business with. Knowledge of business methods in the exporting company's country is more the responsibility of Polarbröd and not the other way around. It is not an important criterion. The remaining criteria that were not discussed by the respondents were considered to be of no particular importance.

The second phase consists of locating intermediary prospects. Information on prospective intermediaries in a target country may be collected from numerous sources such as government agencies, banks, trade publications, trade fairs and personal visits according to theory. Both respondents state that when locating prospective agents/distributors Polarbröd generally goes through contacts that have been established by customers and word-of-mouth. Moreover, Polarbröd locates prospective agents/distributors by using the Swedish Trade Organization which collects data on various agents/distributors that might be of interest to Polarbröd. Polarbröd also attend trade fairs in order to locate prospective agents/distributors. Often Polarbröd receives spontaneous inquiries from interested agents/distributors. There are also inquiries whether or not Polarbröd can refine its product into what the agent/distributor desires and Polarbröd tries to correspond to their wishes.

According to theory personal visits are the most frequent way when getting in contact with potential intermediaries. It is the most important indicator of successful export. Personal visits are expensive but are vital in order to evaluate the intermediaries' competence and opportunities in the local market. Both respondents state that personal visits are a natural step in the process when selecting the agent/distributor. There must be a personal meeting.

The theory states that another way of locating intermediary prospects is to ask existing and potential customers in the foreign market for guidance and advice. Furthermore, the exporting company should ask its potential end customers what intermediaries they have cooperated with and have confidence in. Both respondents state that there are in general spontaneous requests from prospective agents/distributors.

However, according to theory there is a risk trusting the recommendations of customers due to the fact that they often suggest intermediaries who distribute competitive products. In order to minimize this risk, the exporting company can go to customers of similar products for advice in order to locate prospective intermediaries. These agents/distributors are most likely more eager to distribute a complementing product in their assortment than agents/distributors distributing competitive products. According to the respondents, Polarbröd does not choose agents/distributors that have competitive products in their assortment. The idea is to get together and emerge into a stronger force in order to deal with or beat competition.

A third way of locating prospective intermediaries is for the exporting company to visit trade fairs in the new country market according to theory. By discussing with various participants of the trade fair a network is created which facilitates the locating of a prospective intermediary. A trade fair is a good opportunity to investigate how various intermediaries work and what knowledge they have of the products they are currently selling. According to the respondents, Polarbröd meets other colleagues, during the trade fairs, who all work within the same business and thereby there are relations built over time. This clientele is quite small compared to other businesses and after some time the participants get to know one another. This results in a trust where prospective agents/distributors usually are known already, if not by Polarbröd, by other participants within this clientele that can give recommendations or

advice. If the exporting company is ready to start selling in the new market it might be a good time to start participating actively in trade fairs. It is vital to plan this in detail in terms of having enough material and in the appropriate languages. However, if the exporting company chooses to participate actively in trade fairs in a too early stage it might be devastating and the exporting company might be taken for as not serious according to theory. Both respondents state that this has not happened, at least not up to this point.

Using organizations such as trade organizations, banks, transporting companies or marketing agencies can also be helpful when locating appropriate intermediaries. For example, the Swedish trade organization, “Handelskammaren” and “ALMI Företagspartner” might offer valuable contacts in the new exporting country according to theory. Polarbröd use trade organizations and banks to gather information on prospective intermediaries according to the respondents. Handelskammaren is used in order to do markets researches so that Polarbröd can get a general idea of the agent/distributor. Banks are used in order to get the financial strength of the company, but more in phase one where it is a criterion as mentioned above.

The third phase consists of evaluating intermediary prospects. The theory states that references from banks and existing customers of the intermediary are a good way to evaluate the intermediary prospects. According to the respondents banks are used in order to get the financial strength of the company which is also used in phase one and two. The theory further states that it is also important to find out the history of the intermediary, how long the intermediary has been in the business, what marketing the distribution channel uses and what storage capacity it has. The respondents state that they always try to collect information from various sources in order to get the general history of an agent/distributor. However, if there is one “bad” factor discovered in the past of the agent/distributor there are often logical explanations and Polarbröd does not drop the agent/distributor right away but tries to find what the explanation is. The theory states that when intermediary prospects have been found the exporting company should try to establish contact by letters or e-mail in order to find out if there is any interest to distribute the product in question. Several of the letters and e-mails will probably go unanswered either because the intermediary is not interested in the product or because he or she already handles a competitive product. It is crucial that the first letter or e-mail is created as a sales letter which promotes the product by citing the competitive advantages and sales potential in the intermediary’s country, important customers in the home country, and the exporting company’s reputation. Both respondents state that letters and e-mails are not used that often in order to find out if there is any interest to distribute the product in question. Most often, as mentioned above, Polarbröd gets inquiries from the agents/distributors and does not need to do the other way around.

According to theory the basis of a second screening consists of evaluations of responses of the first letter or e-mail, checks with banks, and supplier references, and other information. The second screening may consist of a follow-on letter which is sent to the remaining prospects, asking each intermediary to outline the marketing plan he or she would use for the exporting company’s product, the support he or she would want from the exporting company, expected sales volume, and any other information pertinent to the exporting company’s profile. Given this information from responses to the second letter, as well as information from other sources, the exporting company is able to determine the most excellent prospects. The exporting company must now compare and evaluate the best prospect from one another against the intermediary profile from phase one – “Drawing up the intermediary profile”. The respondents state that obviously the responses from the agents/distributors are checked and evaluated. Checks with banks, supplier references and additional information are always

conducted. Follow-on letters where a marketing plan is asked for, what support the agent/distributor wants from the agent/distributor, expected sales volume and other information are considered, however, Polarbröd has already an established marketing plan, and supports the agent/distributor to 100 %. Most often there is a common understanding between the parties. The agent/distributor always inform Polarbröd what sales volume is expected but usually Polarbröd already has a general idea of that by this stage.

The fourth phase consists of choosing the intermediary. The theory states that after the evaluations of the intermediary prospects and the prospects have been further limited, it is time to choose the final intermediary. It is important to meet the intermediary in person in order to find out if there is any personal chemistry between the parties involved. Both respondents state that the prospective agents/distributors are evaluated and limited to a small amount. Sometimes there are agents/distributors that have pros and cons but it is hard to decide which one to select. Then, Polarbröd set personal meeting, if there have not been prior meetings and tries to get a feeling of the responses from the agents/distributors and if there is any personal chemistry. According to theory, the final choice of intermediary is well worth the time and money, due to the fact that the success of the exporting company's product in the foreign country will depend mainly on the intermediary's efforts. Furthermore, if the exporting company makes a bad choice it will be time consuming and costly to undo the arrangements. The whole selection process must start over from the start. According to the respondents Polarbröd invests both time and money in the selection of agents/distributors and have not been unfortunate in terms of being forced to do the whole process all over again. This comprehends to theory, it is important to meet the intermediary in person, and the final choice of intermediary is well worth the time and money.

6.1.3 RQ 3: How can the channel management of an international distribution channel be described?

According to Kotler and Armstrong (1999) channel management is about choosing and motivating the intermediaries and to evaluate their achievements. Jobber (2001) further complements with the issues of training and managing conflicts between producer and intermediaries. The main issues in conflict management to consider are; selection, motivation, training, evaluation and managing conflict.

Selection has already been discussed in the selection process (6.1.2), however there are certain parts that have not been explained. According to theory, selection is an important issue when managing distribution channels. An agreement is set with the intermediary when the exporting company has chosen a suitable intermediary. It is important to do this in an early stage, when the collaboration is still new. It is also important that the agreement is extensive in order to prevent misunderstandings. The theory continues by stating that some companies choose to wait signing the agreement until the collaboration between the two parties has been developed and deepened further. The respondents state that Polarbröd has closed deals with its agents/distributors. With new agents/distributors Polarbröd awaits and sees how well the agent/distributor in question works along with the Polarbröd guidelines and wishes. In what stage the deal/contract is written depends on what time of the year it is. The contract is written for 2-3 years. If the collaboration works and the agent/distributor does a good job the contract is renewed on a regular basis. This comprehends to the theory.

According to theory there are more and more companies choosing to sign long-term and obligating agreements instead of signing traditional short-term and non-profitting agreements, due to heavy competition. The agreement can be quite simple. However, due to various cultural differences in the various international markets the agreement should be direct and clear. The agreement serves as the base of the collaboration between the exporting company and the intermediary. It should cover all relevant aspects of the relation and define all obligations of both parties. It is important that the agreement states what happens if any conflicts would arise. It is better with a poor agreement with the opportunity to terminate it, than no agreement at all. It might be costly to lose an intermediary because of collaboration problems. This is due to the fact that the intermediary has legal rights to certain compensation, even when the collaboration has been finished. Both respondents state that there is first a contract written in Swedish which is reviewed by a lawyer. The contract is sent back and forth with changes from both parties which finally ends up in the closing contract. With established agents/distributors there are always written contracts both respondents state.

According to theory, each new agreement should be developed as it was the first one, since each business situation should be treated as new. There is a model of a standard agreement available; however, this model should only be used as a suggestion. When the company writes the final agreement with an intermediary, it might be good to have a lawyer present. The respondents state that when writing contracts with exporting countries there is always a lawyer needed due to the fact that there are different procedures and practices to follow, depending on the country in question. This comprehends to theory. According to theory, the exporting company must be careful when writing the contract since it determines the geographic market the intermediary will cover. If the exporting company in a later stage wants to expand its export- and product market, problems or difficulties might arise if the intermediary demands exclusive rights to certain geographical areas. The contract should also include the terms of payments, what party should provide storage, contribute with service to customers and if and how the intermediary should conduct the marketing. According to both respondents the contracts Polarbröd signs with its agents/distributors include the following: the agent/distributor must have facilities to store the deep-frozen products, it must obey the price strategy, the budget must be followed and the agent/distributor must remain exclusive in order to maintain the confidence between both parties. The focus must always remain on the Polarbröd products. This comprehends to theory – the exporting company is very careful when writing the contract and determining what geographic area the intermediary will cover.

Theory states that *motivation* is important in order for channel members to agree to act as an intermediary, and allocate sufficient commitment and resources to the lines of the producer. The key to effective motivation is to understand the needs and problems of intermediaries since needs and motivators are linked. Motivators can be financial rewards, territorial exclusivity, providing resource support such as sales training, field sales assistance and provision of marketing research information, developing strong work relationships such as joint planning, assurance of long-term commitment, and appreciation of effort and success. Both respondents state that Polarbröd tries to build nourishing relations with its agents/distributors. The personal chemistry is important; it works just like in various social circumstances where people feel one another and from that build the relationship state the respondents. With established agents/distributors, for example France, there are long-term relations. Where the collaborations with the agents/distributors runs well the aim is always to establish long-term and close relations. In order to build up long-term and close relations the respondents state that it is important to interact with the agents/distributors in addition to

business. For example, Polarbröd invites agents/distributors to Älvsbyn and do sightseeing and various activities of the north of Sweden.

According to theory, communication and a close relation may strengthen the intermediary's motivation. It is crucial that both parties understand and respect each other, coordinate their goals and activities and cooperate with one another in order to achieve their common goals. This is determinant in order for an investment in export shall be successful and profitable. By cooperating the parties serve and satisfy the target market in an effective manner. However, in most cases both parties invest in their own short-term goals and their business companies which are closest to them in the distribution channel. In order to achieve common goals the exporting company has to give up individual goals sometimes. Since the exporting company does not have total control of the activities in the new market and what has to be done it is hard to demand a certain performance of the intermediary. However, since the consumers often understand the intermediary as part of the exporting company, it has grounds to set major demands on the intermediary. Moreover, it might be difficult for the exporting company to set sales goals and read sales reports and other descriptions when all of that is in the hands of the intermediary. Both respondents state that Polarbröd entertains close relations with its intermediaries.

The theory states that the exporting company can use motivating factors instead of watching over the intermediary, in order to get a larger insight in the business activity of the international market. The most common methods used by the exporting company in order to motivate its foreign intermediaries are territorial exclusivity, provision of up-to-date products and company information, regular personal contact, appreciation of effort and understanding of the agents/distributors problem and attractive financial incentives. Both respondents state that Polarbröd motivates its agents/distributors in a number of ways. Some motivating factors that are utilized are bonuses, rewards, for example a percentage of the profit, and trips. According to theory, another condition in order to set a good and prospering collaboration is to exchange information. The exporting company must help and support its intermediaries and provide new relevant information when there are changes, for example in the market and product. Both respondents emphasize the importance of a giving relation with the agents/distributors where both parties gain from one another.

According to theory, in all collaborations, especially in international distribution, the parties should communicate on a regular basis in order for the collaboration to be prospering and lucrative. The communication might be conducted over the phone or by personal visits. Personal visits are vital in order for the relation between the exporting company and the intermediary to become stronger. The communication might also be conducted indirect through news letters, magazines or data bases. International or regional meetings might also be beneficial in order to exchange experiences. Moreover, it is important to establish close relations with the intermediary, which is conducted most successfully by meeting the persons in question face-to-face. Both respondents state that Polarbröd communicate with its agents/distributors on a regular basis. Personal visits take place from four times a year and more. Communication over the phone and e-mailing takes place once a day or at least several times a week. This is in general, but it depends on what relation that has been established. If there is not much Polarbröd can do to help or guide in any way, there is reason to communicate that often. For example, Greece has its own concept where there are restaurants that buy the bread from Polarbröd and then refine it in their own products at the restaurants. Polarbröd's main purpose in those cases is to make sure the delivery is on time and that the quality of the products is maintained. There is no further help and guidance required or

necessary, the communication runs on a regular basis but not very often, as long as business run smooth.

A close relation is considered to be a competitive advantage of the exporting company and it is hard for competitors to break that relation according to theory. The respondents state that the relation to agents/distributors is considered as a competitive advantage. They say that, of course a close relation is a competitive advantage but if not having a close relation to the agents/distributors there is no point in pursuing further business. The theory further states that in a competitive business environment, it is vital for the exporting company to establish long-term and stable relations to its intermediaries. To many exporting companies a good relation to the intermediary might be more important than a successful product. A company which has a good product but failing relations to its intermediary might have difficulties succeeding in the new market abroad. A strong working relation is achieved by for example by planning together, security of a long-term relation, appreciation of effort and success, frequent exchange of opinions or arranging activities off working hours. As mentioned previous, the respondents state that where the collaborations with the agents/distributors runs well the aim is always to establish long-term and close relations. In order to build up long-term and close relations the respondents state that it is important to interact with the agents/distributors in addition to business. For example, Polarbröd invites agents/distributors to Älvsbyn and do sightseeing and various activities of the north of Sweden.

According to theory, a determining factor of the intermediary's motivation is to show a sincere interest of the intermediary's work. A good way of attaining insight in the activities of the intermediary is to set monthly or yearly goals. By doing this the intermediary will know what is required and the exporting company has the opportunity to see how well the intermediary performs. The respondents state that goals are formulated in a five-year plan, which is further divided into a yearly plan, which in its turn is divided into monthly goals. This plan is formulated by both parties. The goals are based on sales figures and profit.

Training can make the distribution more effective, by handling human resources in the best way according to theory. To handle human resources effectively, might contribute to quality improvement. The exporting company might increase its policy to give the end consumers quality and top service, by involving the intermediary in the quality work of the exporting company. The exporting company should not train the intermediary only on its own products but also the products of the competitors, in order to lift out the advantages and competitive advantages of its own products and deliver that to the customers. The respondents state that there is almost no training conducted by Polarbröd. Polarbröd invites its agents/distributors to the factory where the bread is produced in order to inform the parties of the process that takes place and to get to know the values with the product and how to handle it. There is no training in the products of the competitors. This happens in an early stage of the collaboration with the agents/distributors according to both respondents. From then on, the agents/distributors "live" with the product and a "living process" takes place.

According to theory, exporting companies with high distribution loyalty tend to provide and offer training to its sales force in order to encourage the intermediary to increase sales. This is a very prospering and profiting strategy, since the exporting company might benefit of providing the tools the intermediary needs in order to deliver solutions when conducting business with its customers. When such knowledge is given it can help to build strong relationships and give intermediaries the confidence to sell those products. The need to train intermediaries obviously depends on how competent they are and what knowledge they have

of the product and the market. Exporting companies usually have prior experience in marketing the product in the home market and can therefore give good advices on how campaigns, ads and press releases should be performed. In this case, it must be emphasised that it is the local market which decides the outcome of the end material, and not what the exporting company is used to do. Both respondents state that due to the fact that Polarbröd demands focus on its products from the agent/distributor it results in a natural learning process about the products and its constant developments. Thereby there is a constant exchange of information from both parties. Information is gathered from measurements of sales figures, trade fairs and from the demonstrators from the retail trades. Moreover, the demonstrators that work in the various retail trades are trained in order to demonstrate the Polarbröd products in the right manner. However, this training is the responsibility of the agent/distributor. The respondents state that Polarbröd needs improvements on training.

The theory states that *evaluation* of channel members has an important bearing on intermediary retention, training and motivation decisions. It provides the information necessary to decide which channel members to continue collaboration with and which channel members to cancel the collaboration with. Moreover, evaluations and appropriate training programmes organized by the exporting company may identify shortfalls in intermediary skills and competences. When an exporting company discovers a lack of motivation, it can implement plans designed to deal with what the cause of the lack of motivation is. Furthermore, the exporting company must, on a regular basis, see to it that the intermediary fulfils the wanted criteria of an ideal intermediary. This can be conducted by comparing the intermediary's performance against the standards that are based on the goals and vision of the company. According to the respondents there are evaluations of the agent/distributor taking place regularly, in terms of measurements conducted by Polarbröd. Polarbröd uses the information that has been gathered from the various measurements and evaluates it. However, both respondents ad that evaluation is a process that comes naturally during the collaboration. If something does not work it is dealt with immediately.

Managing Conflict within an international distribution channel is important in order to keep the efficiency and in order to keep all parties satisfied according to theory. Theory further states that channel conflicts often arise due to differences in goals, differences in desired product lines, multiple distribution channels and inadequacies in performance. Differences in goals means that most resellers attempt to maximize their own profit. This can be accomplished by improving profit margin, reducing inventory levels, increasing sales, lowering expenses and receiving greater allowances from suppliers. Differences in desired product lines stand for that resellers who grow by adding product lines may be regarded as disloyal to their original suppliers. Multiple distribution channels may be used by the producer when the producer tries to achieve market coverage. For example, a producer may decide to sell directly to key accounts because their size warrants a key account sales force, and use channel intermediaries to give wide market coverage. Inadequacies in performance is an obvious source of conflict: parties in the supply chain do not perform to expectations. According to the respondents Swedish people are quite afraid of conflicts compared to people from other nations Polarbröd conduct business with, and avoid conflicts as long as they can. However, when going abroad there are cultures where conflicts is a common occurrence and where it is no big deal, when conducting business. On the contrary, for example in France, business people think it is good to have conflicts in order to open up and feel free to state one's opinion. Most often conflicts arise from the budget planning and when negotiating the price.

The theory states that there are several ways of managing conflict. The best way of avoiding and preventing conflicts is to keep a regular and mutual communication and also a close collaboration. Both respondents state when dealing with conflicts it is important to use common sense. Conflicts with business associates are no different from conflicts with family or friends in that manner. The theory states that in order to identify the problem before it hurts the exporting company, a close and frequent relation is determinant. To avoid conflicts it is vital that the exporting company and the intermediary agree and determine what obligations and requirements there are of each party and also what party should cover what costs. Both respondents state that, as mentioned earlier, most of the obligations and requirements are covered in the agreement. The theory further states that if one of the parties would experience a problem in the collaboration it is very important to inform the other party in order to find an immediate solution. In order to manage conflicts and to deal with tough negotiations the parties can be trained in conflict management. Many of the participants involved have no experience in how to act when conflicts arise; to them it is a new phenomenon. Training in conflict management might be of great advantage in order to handle and solve conflicts in an effective manner, which in its turn leads to a productive organization. Both respondents state that there is a lack in training in conflict management at Polarbröd AB, however, most often this is resolved by having discussions and compromise.

6.2 Within-case Analysis: Norrmejerier

6.2.1 RQ 1: How can an international distribution channel be described?

The first research question concerns how the international distribution channel can be described. In order to answer our first research question we have selected a figure from theory. This figure is frequently used and generally accepted within distribution research.

All products whether they be consumer goods, industrial goods or services require a channel of distribution according to theory. The respondent states that the main export market is Scandinavia and following export markets are England, Ireland and Austria. There are also some additional export markets like Russia and the US but at present these markets are quite non-existent. Theory states that channels can vary from direct, producer-to-consumer types to elaborate, multilevel channels employing many types of intermediaries, each serving a particular purpose. The first channel in figure 6.2.1, producer to consumer, is considered to be very direct compared to for example the fifth channel, which includes four intermediaries, according to theory. According to the respondent the international distribution channel varies from country to country, and from product to product. Gainomax has an agent/distributor in each country, except from Finland which has two agents/distributors. In Finland there is one agent/distributor who distributes to a retailer (various gyms) which in its turn sells to the consumer. The second agent distributes to wholesalers (Inex and Kesko) which in their turn distribute to retail trades which sell to the consumer. In England and Norway the agent/distributor sells to gyms which in their turn sell to the consumer, just like one of the agents/distributors in Finland. When the distribution channel includes retail trades it is much more complicated. Heavier marketing is needed states the respondents. Norrmejerier uses the two channels presented below in bold text.

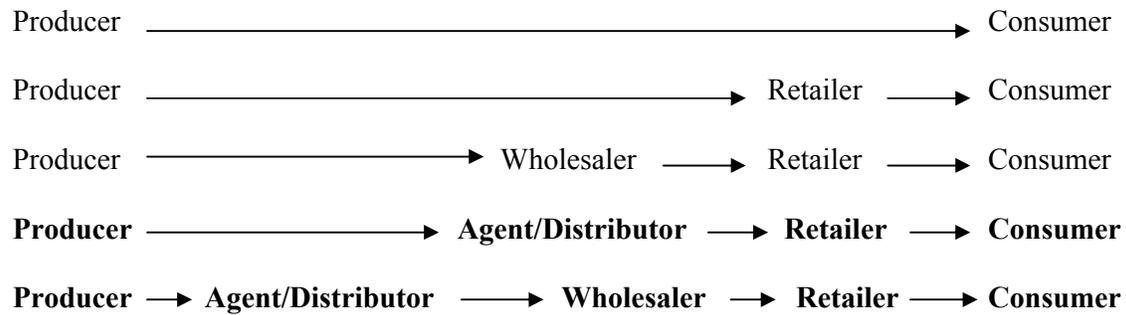


Figure 6.2: Five alternative consumer channels

SOURCE: Adapted from Jobber, 2001, p. 469, Czinkota & Ronkainen, 2004 p.335 and Albaum et al, 1998 p. 196

Theory states that exporting companies entering international markets choose to use agents/distributors due to the fact that it does not require as much investment in terms of time and money. According to the respondent, Norrmejerier chooses to use agents/distributors due to the fact that these intermediaries know the market in the country they operate in. The wholesalers, gyms and retail trades which purchase the product demand a contact person in the same country due to availability, communication, culture and language.

According to the theory exporting companies may hand over the responsibility of choosing the rest of the distribution channel in terms of intermediaries, the marketing and the storage of products to the agent/distributor. The respondent states that responsibilities and obligations of the agents/distributor vary from country to country. All countries must be able to store the products in order to deliver the product in its best condition. Many countries are responsible for the entire marketing campaigns. Some countries where Norrmejerier sees great potential and lucrative markets, it wants to invest more extensively and working on building up a high quality brand. In this case, Norrmejerier wants the total control of the marketing and wants to decide what all marketing material should look like. Therefore, Norrmejerier finance all activities related to the marketing such as promotion, sponsor agreements and advertisement. The respondent states that depending on the market, the investments vary. The respondent further states that in the past the agent/distributor has been given exclusive rights of the entire country due to the fact that Norrmejerier was satisfied when finding any intermediaries at all who wanted to distribute Norrmejerier's products. Many intermediaries demanded for exclusive rights even though they did not have capacity for it. Nowadays Norrmejerier is much more careful handing out exclusive rights due to the fact that the agent/distributor has failed with satisfying the demand of the geographical area. For example, at present, the agent/distributor is handed specific intermediaries to use. In Finland, the two agents/distributors have been given the Finland market all together, however, one agent/distributor has been given the gym sector, and the other agent/distributor has been given the retail trade sector. In the other countries there is only one agent/distributor to cover the entire country but that depends on that the sector or sectors are limited. According to theory a distributor sells the products in its own brand name or uses the exporter's brand name. The respondent states that the brand of Norrmejerier must remain on the package.

According to the theory an agent contacts wholesalers or retailers and receives commission on sales. A distributor is an independent company which purchases the products of the producer. The distributor has the entire responsibility of the rest of the distribution channel such as choice of intermediaries, storage and marketing and an agent has various responsibilities

depending on the agreement with the producer. Norrmejerier calls its international intermediary an agent, but according to theory it is more of a distributor. The international intermediary contacts wholesalers or retailers but do not receive commission sales, it is quite independent. The international intermediary of Norrmejerier purchases the products of Norrmejerier and storage them. As mentioned above, all countries must be able to storage the products in order to deliver the product in its best condition. The respondent further states that, in general, the intermediary is responsible for the entire marketing campaigns. However, in some markets where Norrmejerier sees great potential, Norrmejerier wants to invest more extensively and working on building up a high quality brand. In this case, Norrmejerier wants the total control of the marketing and wants to decide what all marketing material should look like. Therefore, Norrmejerier finance all activities related to the marketing such as promotion, sponsor agreements and advertisement. The respondent further states that in the past the agent/distributor has been given exclusive rights of the international distribution channel and the marketing. Nowadays Norrmejerier is much more careful handing out exclusive rights due to the fact that the agent/distributor has failed with satisfying the demand of the market. The intermediary Norrmejerier uses is more of a distributor than an agent.

6.2.2 RQ2: How can the selection process of an international distribution channel be described?

The second research question concerns how the selection process of an international distribution channel can be described. In order to answer our second research question we will use a four-phase frame from theory which states that when the exporting company decides to use an intermediary it must initiate a selection process in order to select high-quality intermediaries.

According to theory the four phases are drawing up the intermediary profile, locating intermediary prospects, evaluating intermediary prospects and finally choosing the intermediary. The respondent states that when Norrmejerier selects the distributor either it follows the rulebook or it is just random. According to theory the first phase lists all the criteria a company should look for in a prospective intermediary for a foreign target market. Some criteria are determinant due to the fact that they form the core dimensions along which candidates must perform well, whereas some criteria may be used only in preliminary screening. Before signing a contract with a particular intermediary, the exporting company should satisfy itself on certain key criteria. According to theory it is the following criteria to be considered when selecting the intermediary:

- Goals and strategies
- Size of the firm
- Financial strength/credit rating
- Reputation with suppliers, customers, and banks
- Trading areas covered
- Compatibility
- Experience in products/with competitors
- Sales organization and quality of sales force
- Physical facilities
- Willingness to carry inventories
- After-sales service capability

- Knowledge/use of promotion
- Record of sales performance
- Relations with local government
- Communications
- Overall experience/attitude/commitment
- Lines handled
- Cost of operations
- Knowledge of English or other relevant languages
- Knowledge of business methods in the exporting company's country
- Willingness to cooperate with the exporting company

The respondent was given the criteria list above and stated that all criteria on the list were considered more or less. The five most important criteria were Goals and Strategies, Trading areas covered, Sales organization and quality of sales force, Lines handled and finally Willingness to cooperate with the exporting company. Financial strength/Credit rating is considered as quite important according to the respondent due to the fact that it generally gives a good total picture of the agent/distributor. However, it is difficult to collect that type of information abroad compared to Sweden where that type of data is official. Knowledge of English or other relevant languages is another criterion which is considered as quite important. When an agent/distributor and the exporting company cannot communicate in a common language the exporting company is forced to employ an interpreter which results in more costs, complicated communication and an indirect dialogue. The respondent further states and especially emphasises that it is vital that the agent/distributor "feels" for the product and shows commitment. This is the most important criteria when selecting the agent/distributor. The agent/distributor is obliged to not have any competing products, only complementing. However, there are no alternatives for the cheese which is distributed to the US market; the agent/distributor will have other cheeses in its assortment. The respondent emphasizes that the cheese Norrmejerier is distributing to the US market is the Västerbottensost, which has a characteristic taste. It would not work with a mainstream flavoured cheese - then the competition would be too hard.

Two criteria that were considered as not important were Size of the firm and Relations with local government. Size of the firm is not important, once again the respondent emphasise that the agent/distributor shows true commitment. If the agent/distributor is a high-scale operating company it easily happens that the exporting company is not invested in that much, in terms of energy and money, since there are several other exporting companies to consider for the agent/distributor. Therefore, it might be best to choose a low-scale operating company. However, then there is the issue of lack of experience and not as many important connections which the high-scale company might have. According to the respondent another criteria which is not that important is Physical facilities due to the fact that it is not a good indication of how the agent/distributor will perform. For example, the present agent/distributor in England started to operate, having poor physical facilities in terms of a small basement. Two years later he had expanded and is now having large and great storages.

The second phase consists of locating intermediary prospects. Information on prospective intermediaries in a target country may be collected from numerous sources such as government agencies, banks, trade publications, trade fairs and personal visits according to theory. Using organizations such as trade organizations, banks, transporting companies or marketing agencies can be helpful when locating appropriate intermediaries. For example, the Swedish trade organization, "Handelskammaren" and "ALMI Företagspartner" might offer

valuable contacts in the new exporting country according to theory. The respondent states that according to the rulebook there should be market researches conducted in order to find out what other products there are, what competition there is, prize strategies, and what potential market share the exporting company has to gain there. Norrmejerier do this on its own or use organizations like the "Swedish Trade Organization" or "Food from Sweden" to perform the market research. From time to time Norrmejerier advertise in the trade press and then there are hopefully 5-10 responses which later on are evaluated. Norrmejerier also use trade fairs and work shops to find agents/distributors. This might awaken an interest with various agents/distributors which might lead to collaborations. According to theory personal visits are the most frequent way when getting in contact with potential intermediaries. It is the most important indicator of successful export. Personal visits are expensive but are vital in order to evaluate the intermediaries' competence and opportunities in the local market. The respondent states that taking part in trade fairs and having work shops is an advantage when looking for agents/distributors due to the fact that Norrmejerier gets to have a face-to-face dialogue right away. This results in a more valid impression of the agent/distributor than the ones where the first contact is pursued through e-mails or letters

The theory states that another way of locating intermediary prospects is to ask existing and potential customers in the international market for guidance and advice. Furthermore, the exporting company should ask its potential end customers what intermediaries they have cooperated with and have confidence in. However, according to theory there is a risk trusting the recommendations of customers due to the fact that they often suggest intermediaries who distribute competitive products. In order to minimize this risk, the exporting company can go to customers of similar products for advice in order to locate prospective intermediaries. These intermediaries are most likely more eager to distribute a complementing product in their assortment than agents/distributors distributing competitive products. The respondent states that the locating of intermediary prospects can be through contacts, such as word-of-mouth or previous collaborators. Then it is more of a random nature. There are also spontaneous inquiries to Norrmejerier, but these are few and do not give anything in many cases. The respondent states that when looking for an agent/distributor the company has to take an active part in their search.

A third way of locating prospective intermediaries is for the exporting company to visit trade fairs in the new country market according to theory. By discussing with various participants of the trade fair a network is created which facilitates the locating of a prospective intermediary. A trade fair is a good opportunity to investigate how various intermediaries work and what knowledge they have of the products they are currently selling. The respondents states that Norrmejerier visit trade fairs in order to meet new customers and intermediaries. The respondents further states that during the trade fairs Norrmejerier discusses with other competitors and colleagues in order to get recommendations of locating prospective intermediaries.

If the exporting company is ready to start selling in the new market it might be a good time to start participating actively in trade fairs. It is vital to plan this in detail in terms of having enough material and in the appropriate languages. However, if the exporting company chooses to participate actively in trade fairs in a too early stage it might be devastating and the exporting company might be taken for as not serious according to theory. According to the respondent Norrmejerier takes an active part in trade fairs and as far as the respondent knows Norrmejerier has not failed in this.

The third phase consists of evaluating intermediary prospects. The theory states that references from banks and existing customers of the intermediary are a good way to evaluate the intermediary prospects. The respondent states that Norrmejerier wants to know what products the agent/distributor are working with at the present and what turn over the agent/distributor has. The theory further states that it is also important to find out the history of the intermediary, how long the intermediary has been in the business, what marketing the distribution channel uses and what storage capacity it has. As mentioned in the previous section 6.2.1., the international intermediary of Norrmejerier purchases the products of Norrmejerier and storage them. All countries must be able to storage the products in order to deliver the product in its best condition. The respondent further states that, in general, the intermediary is responsible for the entire marketing campaigns. However, in some markets where Norrmejerier sees great potential, Norrmejerier wants to invest more extensively and working on building up a high quality brand. In this case, Norrmejerier wants the total control of the marketing and wants to decide what all marketing material should look like. Therefore, Norrmejerier finance all activities related to the marketing such as promotion, sponsor agreements and advertisement.

The theory states that when intermediary prospects have been found the exporting company should try to establish contact by letters or e-mail in order to find out if there is any interest to distribute the product in question. Several of the letters and e-mails will probably go unanswered either because the intermediary is not interested in the product or because he or she already handles a competitive product. It is crucial that the first letter or e-mail is created as a sales letter which promotes the product by citing the competitive advantages and sales potential in the intermediary's country, important customers in the home country, and the exporting company's reputation. The respondents states Norrmejerier always put much effort into the process of establishing contact with prospective intermediaries. The initial letter or e-mail is carefully outlined. Norrmejerier only sends letters or e-mails to intermediaries Norrmejerier already are quite sure there is a mutual interest, and therefore it is most common that there is a response from the prospective intermediaries.

According to theory the basis of a second screening consists of evaluations of responses of the first letter or e-mail, checks with banks, and supplier references, and other information. The second screening may consist of a follow-on letter which is sent to the remaining prospects, asking each intermediary to outline the marketing plan he or she would use for the exporting company's product, the support he or she would want from the exporting company, expected sales volume, and any other information pertinent to the exporting company's profile. Given this information from responses to the second letter, as well as information from other sources, the exporting company is able to determine the most excellent prospects. The respondent states that Norrmejerier evaluates the responses and do send follow-on letters and e-mails but start discussions over the phone what expectations the prospective intermediary has and what the intermediary will offer in the collaboration. Later on there is a meeting where the agent/distributor is located where the respondent meet the agent/distributor in question. This personal meeting is followed by an evaluation which will lead to the final candidate. The theory states that the exporting company must now compare and evaluate the best prospect from one another against the intermediary profile from phase one – "Drawing up the intermediary profile". Norrmejerier evaluates and chooses the intermediary after the above mentioned criteria in section 6.2.1.

The fourth phase consists of choosing the intermediary. The theory states that after the evaluations of the intermediary prospects and the prospects have been further limited, it is

time to choose the final intermediary. It is important to meet the intermediary in person in order to find out if there is any personal chemistry between the parties involved. The final choice of intermediary is well worth the time and money, due to the fact that the success of the exporting company's product in the foreign country will depend mainly on the intermediary's efforts. Furthermore, if the exporting company makes a bad choice it will be time consuming and costly to undo the arrangements. The whole selection process must start over from the start. There is always a personal meeting taking place in the evaluation phase and from that it is usually time to make the decision of which intermediary to choose according to the respondent. The intermediary that corresponds the best to the criteria that are valued the most by Normmejerier, Goals and Strategies, Trading areas covered, Sales organization and quality of sales force, Lines handled and Willingness to cooperate with the exporting company, and also how well the personal chemistry is between the two parties, is finally chosen.

6.2.3 RQ3: How can the channel management of an international distribution channel be described?

According to theory channel management is about choosing and motivating the intermediaries and to evaluate their achievements. There are also the issues of training and managing conflicts between producer and intermediaries to consider. The main issues in conflict management to consider are; selection, motivation, training, evaluation and managing conflict according to theory. The respondent states that all these issues are considered at Normmejerier, more or less.

Selection has already been discussed in the selection process (6.2.2). However, there are certain parts that have not been explained. According to theory, selection is an important issue when managing distribution channels. An agreement is set with the intermediary when the exporting company has chosen a suitable one. It is important to do this in an early stage, when the collaboration is still new. It is also important that the agreement is extensive in order to prevent misunderstandings. The theory continues by stating that some companies choose to wait signing the agreement until the collaboration between the two parties has been developed and deepened further. The respondent states that contracts are occasionally hard to seal. In the previous Normmejerier has signed contracts as soon as possible which in some cases have resulted in agents/distributors that do not fulfil their responsibilities and objectives and the surrounding environment might change. Normmejerier is still obligated to follow the contract and have been stuck in a misfortunate situation. Nowadays, previous experience tells Normmejerier to wait for about one year before they set any agreements and sign any contracts. Normmejerier has become much more careful and always start off with one year test period with no obligations.

According to theory there are more and more companies choosing to sign long-term and obligating agreements instead of signing traditional short-term and non-profitable agreements, due to heavy competition. The respondent states that with the long-term agents/distributors there are signed contracts that run for 2 years or more (which varies from agent/distributor to agent/distributor), and are constantly renewed if the collaboration is successful. The agreement can be quite simple. However, due to various cultural differences in the various international markets the agreement should be direct and clear. The agreement serves as the base of the collaboration between the exporting company and the intermediary. It should cover all relevant aspects of the relation and define all obligations of both parties. It is

important that the agreement states what happens if any conflicts would arise. It is better with a poor agreement with the opportunity to terminate it, than no agreement at all. It might be costly to lose an intermediary because of collaboration problems. This is due to the fact that the intermediary has legal rights to certain compensation, even when the collaboration has been finished.

According to theory, each new agreement should be developed as if it was the first one, since each business situation should be treated as new. There is a model of a standard agreement available; however, this model should only be used as a suggestion. When the company writes the final agreement with an intermediary, it might be good to have a lawyer present. There are lawyers present from time to time, generally to avoid misunderstandings when the culture gap is an issue. Having a lawyer present makes both parties feel safe and trust the contract; it has been formed clearly and with no question marks.

According to theory, the exporting company must be careful when writing the contract since it determines the geographic market the intermediary will cover. If the exporting company in a later stage wants to expand its export- and product market, problems or difficulties might arise if the intermediary demands exclusive rights to certain geographical areas. The contract should also include the terms of payments, what party should provide storage, contribute with service to customers and if and how the intermediary should conduct the marketing. The respondent states that the agent/distributor is obliged to follow the secrecy of the products which is always stated in the contracts. All product information that is classified as secret must stay within the company of the agent/distributor. Other conditions stated in the contract are payment, period of notice, category of customers, royalty and what geographical area to cover. Moreover, it is stated that it is not allowed to transfer the contract and it is not allowed to distribute competing goods.

Theory states that *motivation* is important in order for channel members to agree to act as an intermediary, and allocate sufficient commitment and resources to the lines of the producer. The key to effective motivation is to understand the needs and problems of intermediaries since needs and motivators are linked. Motivators can be financial rewards, territorial exclusivity, providing resource support such as sales training, field sales assistance and provision of marketing research information, developing strong work relationships such as joint planning, assurance of long-term commitment, and appreciation of effort and success. The respondent states that Norrmejerier tries to motivate its agents/distributors in terms of various discounts, support on trade fairs the agent/distributor attend to and inviting agents/distributors to the factory.

According to theory, communication and a close relation may strengthen the intermediary's motivation. It is crucial that both parties understand and respect each other, coordinate their goals and activities and cooperate with one another in order to achieve their common goals. This is determinant in order for an investment in export shall be successful and profitable. By cooperating the parties serve and satisfy the target market in an effective manner. According to the respondent the relations vary from agent/distributor to agent/distributor. With some agents/distributors, for example the ones in Finland, there are close and long-term relations compared to the one in France which is formal and not that reliable. The respondent continues by stating that close personal relations is a competitive advantage. However, the respondent also states that businesses can be successful even though there are no close relations.

However, the theory further states that in most cases both parties invest in their own short-term goals and their business companies which are closest to them in the distribution channel. In order to achieve common goals the exporting company has to give up individual goals sometimes. Since the exporting company does not have total control of the activities in the new market and what has to be done it is hard to demand a certain performance of the intermediary. However, since the consumers often understand the intermediary as part of the exporting company, it has grounds to set major demands on the intermediary according to theory. Moreover, it might be difficult for the exporting company to set sales goals and read sales reports and other descriptions when all of that is in the hands of the intermediary.

The theory states that the exporting company can use motivating factors instead of watching over the intermediary, in order to get a larger insight in the business activity of the international market. The most common methods used by the exporting company in order to motivate its foreign intermediaries are territorial exclusivity, provision of up-to-date products and company information, regular personal contact, appreciation of effort and understanding of the agents/distributors problem and attractive financial incentives. As mentioned above, the respondent states that Norrmejerier tries to motivate its agents/distributors in terms of various discounts, support on trade fairs the agent/distributor attend to and inviting agents/distributors to the factory.

According to theory, another condition in order to set a good and prospering collaboration is to exchange information. The exporting company must help and support its intermediaries and provide new relevant information when there are changes, for example in the market and product. The respondent states that the agents/distributors share its information of the product of Norrmejerier they distribute. There is an open dialogue of how it is received on the foreign market and what positive or negative opinions have been raised. The respondent states that Norrmejerier tries to absorb and learn from this information.

Theory states that in all collaborations, especially in international distribution, the parties should communicate on a regular basis in order for the collaboration to be prospering and lucrative. The communication might be conducted over the phone or by personal visits. Personal visits are vital in order for the relation between the exporting company and the intermediary to become stronger. The communication might also be conducted indirect through news letters, magazines or data bases. International or regional meetings might also be beneficial in order to exchange experiences. Moreover, it is important to establish close relations with the intermediary, which is conducted most successfully by meeting the persons in question face-to-face. The respondent states that if close personal relations occur and the chemistry between the parties works, it is very much an advantage due to the fact that trust, commitment and confidence are created and both parties work towards common goals. In terms of how frequent the communication is with the agents/distributors, the respondent states that there is generally one phone call a month and personal visits vary from 1-6 times a year. Generally, collaborations continue in a natural manner and then there is not much need for communication according to the respondent. Both parties know where they have each other and trust one another. The communication is more frequent when there are new investments or projects planned, or if it is a market Norrmejerier put much investment in, in general, for example Finland.

A close relation is considered to be a competitive advantage of the exporting company and it is hard for competitors to break that relation according to theory. The theory further states that in a competitive business environment, it is vital for the exporting company to establish long-

term and stable relations to its intermediaries. To many exporting companies a good relation to the intermediary might be more important than a successful product. A company which has a good product but failing relations to its intermediary might have difficulties succeeding in the new market abroad. A strong working relation is achieved by for example by planning together, security of a long-term relation, appreciation of effort and success, frequent exchange of opinions or arranging activities off working hours. The respondent also states, as mentioned above, that businesses can be successful even though there are no close relations.

According to theory, a determining factor of the intermediary's motivation is to show a sincere interest of the intermediary's work. A good way of attaining insight in the activities of the intermediary is to set monthly or yearly goals. By doing this the intermediary will know what is required and the exporting company has the opportunity to see how well the intermediary performs. The respondent states that Norrmejerier set goals for the agents/distributors for one year period, in terms of sales volume. The respondent states that this is not a big part of Norrmejerier's channel management. Hopefully, the agents/distributors do this on their own.

Training can make the distribution more effective, by handling human resources in the best way according to theory. To handle human resources effectively, might contribute to quality improvement. The exporting company might increase its policy to give the end consumers quality and top service, by involving the intermediary in the quality work of the exporting company. The exporting company should not train the intermediary only on its own products but also the products of the competitors, in order to lift out the advantages and competitive advantages of its own products and deliver that to the customers. The respondent states that, the fact that Norrmejerier is a dairy is a quality seal on for example the Gainomax product. Gainomax is a protein drink which is used within the fitness sector and the fact that it is manufactured by a dairy increase the credibility of the product. Protein drinks in general have a damaged reputation due to the fact that many of these drinks have in the past contained steroids. Therefore, still today, protein drinks are associated with steroids and low quality. The respondent continues by stating that it is important for the intermediaries to emphasize that the producer, Norrmejerier, is a dairy due to this.

According to theory, exporting companies with high distribution loyalty tend to provide and offer training to its sales force in order to encourage the intermediary to increase sales. This is a very prospering and profiting strategy, since the exporting company might benefit of providing the tools the intermediary needs in order to deliver solutions when conducting business with its customers. When such knowledge is given it can help to build strong relationships and give intermediaries the confidence to sell those products. The need to train intermediaries obviously depends on how competent they are and what knowledge they have of the product and the market. The respondent states that training is not invested in at Norrmejerier. There are scarcities in this area where agents/distributors do not speak the same language. It is assumed that agents/distributors have knowledge of the product but the respondent admits that this is not always the case. The feedback from both parties should increase; the training should be on a regular basis and evaluate what has not worked and what has been successful. The theory further states that exporting companies usually have prior experience in marketing the product in the home market and can therefore give good advices on how campaigns, ads and press releases should be performed. In this case, it must be emphasised that it is the local market which decides the outcome of the end material, and not what the exporting company is used to do. The respondent states that some marketing material is handed to the intermediaries.

The theory states that *evaluation* of channel members has an important bearing on intermediary retention, training and motivation decisions. It provides the information necessary to decide which channel members to continue collaboration with and which channel members to cancel the collaboration with. Moreover, evaluations and appropriate training programmes organized by the exporting company may identify shortfalls in intermediary skills and competences. When an exporting company discovers a lack of motivation, it can implement plans designed to deal with what the cause of the lack of motivation is. Furthermore, the exporting company must, on a regular basis, see to it that the intermediary fulfils the wanted criteria of an ideal intermediary. This can be conducted by comparing the intermediary's performance against the standards that are based on the goals and vision of the company. The respondent states that Norrmejerier evaluate the performance of the agent/distributor in terms of looking at sales figures. As long as sales figures are satisfying, Norrmejerier has no further reason to look into the performance of the agent/distributor.

Managing Conflict within an international distribution channel is important in order to keep the efficiency and in order to keep all parties satisfied according to theory. Theory further states that channel conflicts often arise due to differences in goals, differences in desired product lines, multiple distribution channels and inadequacies in performance. Differences in goals means that most resellers attempt to maximize their own profit. This can be accomplished by improving profit margin, reducing inventory levels, increasing sales, lowering expenses and receiving greater allowances from suppliers. Differences in desired product lines stand for that resellers who grow by adding product lines may be regarded as disloyal to their original suppliers. Multiple distribution channels may be used by the producer when the producer tries to achieve market coverage. For example, a producer may decide to sell directly to key accounts because their size warrants a key account sales force, and use channel intermediaries to give wide market coverage. Inadequacies in performance is an obvious source of conflict: parties in the supply chain do not perform to expectations. The respondent states that most conflicts arise due to price arguments. Agents/distributors who have worked with Norrmejerier's product/products for several years consider that they should have a better price than other and new agents/distributors of Norrmejerier. Payments can also be a source of conflicts. Due to the fact that Sweden generally has a period of 30 days to pay invoices while abroad there are generally 45-60 days of paying invoices, there might occur misunderstandings and frustration.

The theory states that there are several ways of managing conflict. The best way of avoiding and preventing conflicts is to keep a regular and mutual communication and also a close collaboration. When conflicts occur the respondent states that he has to act in common sense, but adds that it is always difficult to handle conflicts. The theory states that in order to identify the problem before it hurts the exporting company, a close and frequent relation is determinant. To avoid conflicts it is vital that the exporting company and the intermediary agree and determine what obligations and requirements there are of each party and also what party should cover what costs. The theory further states that if one of the parties would experience a problem in the collaboration it is very important to inform the other party in order to find an immediate solution. The respondent states that it is vital to carefully outline the conditions of payments in the contract in order to avoid conflicts. Interest invoices and collection of debts are ignored in some countries and there is not even any point in sending them out. Furthermore, the respondent states the Norrmejerier is quite generous when handling reclamations. Due to the fact that the products often are far away it will cost

Norrmejerier more to get the product back to Sweden in order to examine it. When this occurs Norrmejerier saves more money by trusting the customer and give him or her compensation.

In order to manage conflicts and to deal with tough negotiations the parties can be trained in conflict management. Many of the participants involved have no experience in how to act when conflicts arise; to them it is a new phenomenon. Training in conflict management might be of great advantage in order to handle and solve conflicts in an effective manner, which in its turn leads to a productive organization. The respondent states that there is no training in conflict management at Norrmejerier, this is something that needs improvement.

6.3 Cross-case Analysis

In the previous section a within-case analysis of each case was presented. The empirical data was compared according to the conceptual framework presented in chapter three. As a mean to discover possible similarities and differences between the two cases, a cross-case analysis is conducted. For this, the data has been displayed as proposed by Miles and Huberman (1994) and assembled in matrices to easier give the reader an overview of the collected data. The cross-case analysis is presented according to each research question under which the two cases are brought up. By this, possible similarities and differences between the cases are easier realized.

6.3.1 RQ 1: How can an international distribution channel be described?

The first research question concerns how the international distribution channel can be described. In order to conduct a cross-analysis we have put together the information from both cases regarding how to describe an international distribution channel in the matrix below.

Type of international distribution channel	Polarbröd AB	Norrmejerier
Producer - Consumer	No	No
Producer - Retailer - Consumer	No	No
Producer - Wholesaler - Retailer - Consumer	No	No
Producer - Agent/Distributor - Retailer - Consumer	Yes	Yes
Producer - Agent/Distributor - Wholesaler - Retailer - Consumer	Yes	Yes

Polarbröd has several international distribution channels and in general agents/distributors are used in order to export and reach the end consumer. Norway and France are the biggest export markets of Polarbröd. Common for both of these markets is that there is one agent/distributor that covers the whole market in each country. The distribution channel to Norway includes an

importer, which is the agent/distributor, who distributes to wholesalers, who in their turn sell it to retailers who sell the Polarbröd products in their stores to the end consumer. The distribution channel to France is a bit different from the one to Norway. It still includes an importer – agent/distributor – who further distributes to either industries or wholesalers that further distribute to retailers that sell to the end consumer. The industries use the Polarbröd in sandwiches they make and then further sell them to retail trades or companies. Wholesalers sell the Polarbröd to cafés and bakeries which use the bread in their sandwiches. The international distribution channels of Norrmejerier vary from country to country, and from product to product. The product Gainomax has an agent/distributor in each country, except from Finland which has two agents/distributors. In Finland there is one agent/distributor who distributes to a retailer (various gyms) which in its turn sells to the consumer. The second agent distributes to wholesalers (Inex and Kesko) which in their turn distribute to retail trades which sell to the consumer. In England and Norway the agent/distributor sells to gyms which in their turn sell to the consumer, just like one of the agents/distributors in Finland.

Polarbröd uses agents/distributors since the local agents/distributors know the language and culture and have an established network which Polarbröd can gain from. Furthermore, the local agents/distributors know how to conduct business in that country market. The distribution channels to France and Norway provide a general picture of how the international distribution channels of Polarbröd look like. Norrmejerier uses agents/distributors due to the fact that these intermediaries know the market in the country they operate in. The wholesalers, gyms and retail trades which purchase the product demand a contact person in the same country due to availability, communication, culture and language.

Polarbröd names the agent/distributor as a partner but according to theory it is a distributor due to the fact that it purchases the products from Polarbröd AB, it has the required storage facilities, and does not receive commission on sales as an agent. However, the distributor of Polarbröd AB is not independent which it is according to theory. Polarbröd AB remains the main control of the marketing. According to theory a distributor sells the products in its own brand name or uses the exporter's brand name. The Polarbröd AB brand is not printed on the package of the sandwiches which is produced by the industries Polarbröd AB sells to in France; the brand is on the package when the product has not been refined. Norrmejerier calls its international intermediary an agent, but according to theory it is more of a distributor. The international intermediary contacts wholesalers or retailers but do not receive commission sales, it is quite independent. The international intermediary of Norrmejerier purchases the products of Norrmejerier and storage them. All countries must be able to storage the products in order to deliver the product in its best condition. The intermediary Norrmejerier uses is more of a distributor than an agent.

6.3.2 RQ2: How can the selection process of an international distribution channel be described?

The second research question concerns how the selection process of an international distribution channel can be described. In order to conduct a cross-case analysis we will use the four-phase frame from theory and compare the two cases against each other.

1. Drawing up the intermediary profile	Polarbröd	Norrmejerier
• Goals and strategies	Very important	Very important
• Size of the firm	Important	Not important
• Financial strength	Important	Important
• Reputation with suppliers, customers and banks	Very important	Not considered
• Trading areas covered	Not considered	Very important
• Compatibility	Not considered	Not considered
• Experience in products/with competitors	Not considered	Not considered
• Sales organization and quality of sales force	Not considered	Very important
• Physical facilities	Very important	Not important
• Willingness to carry inventories	Very important	Not considered
• After-sales service capability	Not considered	Not considered
• Knowledge/use of promotion	Not considered	Not considered
• Record of sales performance	Not considered	Not considered
• Relations with local government	Not considered	Not important
• Communications	Not considered	Not considered
• Overall experience/attitude/commitment	Important	Not considered
• Lines handled	Important	Very important
• Cost of operations	Not considered	Not considered
• Knowledge of English or other relevant languages	Not important	Important
• Knowledge of business methods in the exporting company's country	Not important	Not considered
• Willingness to cooperate with the exporting company	Very important	Very important

Polarbröd states that when selecting an agent/distributor the exporting company must consider many criteria and not put too much faith in just one in order to get a wider and more truthful picture. At Polarbröd are the criteria Goals and strategies, Reputation with suppliers, customers, and banks, Physical facilities, Willingness to carry inventories and Willingness to cooperate with the exporting company the most important criteria. At Norrmejerier are the criteria Goals and Strategies, Trading areas covered, Sales organization and quality of sales force, Lines handled and finally Willingness to cooperate with the exporting company, the most important criteria. Norrmejerier adds one criteria to the list "commitment to the product" and states that this is also very important, if not the most important criterion of all.

At Polarbröd are the criteria Size of the firm, Financial strength/credit rating, Overall experience/attitude/commitment and Lines handled considered to be important. At Norrmejerier are the criteria Financial strength/Credit rating and Knowledge of English or other relevant languages considered important. At Polarbröd are the criteria Knowledge of English or other relevant languages and Knowledge of business methods in the exporting company's country not important, compared to Norrmejerier which considered the criteria Physical facilities, Size of the firm and Relations with local government as not important.

Criteria that are not considered at Polarbröd are Trading areas covered, Compatibility, Experience in products/with competitors, Sales organization and quality of sales force, Cost of operations, After-sales service capability, Knowledge/use of promotion, Record of sales performance, Relations with local government and finally Communications. At Norrmejerier,

the criteria that were not considered were Reputation with suppliers, customers and banks, Compatibility, Experience in products/with competitors, Willingness to carry inventories, After-sales service capability, Knowledge/use of promotion, Record of sales performance, Communications, Overall experience/attitude/commitment, Cost of operations and finally Knowledge of business methods in the exporting company's country.

2. Locating intermediary prospects	Polarbröd	Norrmejerier
<ul style="list-style-type: none"> Collected information from banks, trade publications, government agencies and personal visits 	Not considered	Not considered
<ul style="list-style-type: none"> To ask existing and potential customers in the foreign market 	Ask contacts that have been established by customers and/or word-of-mouth	Ask contacts, previous collaborators and/or word-of-mouth
<ul style="list-style-type: none"> To visit, and/or participate actively in trade fairs 	Visit and participate actively	Visit and participate actively
<ul style="list-style-type: none"> Turn to organizations such as trade organizations, transporting companies and marketing agencies 	The Swedish Trade Organization and "Handelskammaren"	The Swedish Trade Organization and "Food from Sweden"

Polarbröd and Norrmejerier locate prospective agents/distributors almost the same way. Both companies ask existing and potential customers in the foreign market. They ask contacts that have been established by customers and/or use word-of-mouth. Norrmejerier also asks previous collaborators. Polarbröd and Norrmejerier both visit and/or participate actively in trade fairs. Norrmejerier also use work-shops in their search for prospective agents/distributors. Another way of locating prospective agents/distributors is to turn to organizations such as trade organizations, transporting companies and marketing agencies. Polarbröd use the Swedish Trade Organization and Handelskammaren to do this. Norrmejerier uses the Swedish Trade Organization and "Food from Sweden". Norrmejerier also advertise for agents/distributors in the trade press. Polarbröd does not need to put much effort into locating prospective intermediaries, compared to Norrmejerier, due to the fact that Polarbröd gets many spontaneous inquiries from agents/distributors.

3. Evaluating intermediary prospects	Polarbröd	Norrmejerier
<ul style="list-style-type: none"> References from banks and suppliers 	Uses banks and suppliers	Uses banks
<ul style="list-style-type: none"> Find out the history of the intermediary 	Uses various sources in order to find out the history	Uses various sources in order to find out the history
<ul style="list-style-type: none"> Try to establish contact by letters or e-mail 	It happens but not often	Use it frequently
<ul style="list-style-type: none"> Compare the intermediary prospects from one another and against the criteria list from phase one 	Yes	Yes

The third phase consists of evaluating intermediary prospects. Polarbröd always performs checks with banks, supplier references and additional information in order to find out the

financial strength and history of the company. Norrmejerier uses banks. Polarbröd and Norrmejerier collect information from various sources in order to get the general history of agents/distributors. Polarbröd does not use letters and e-mails, in order to find out if there is any interest to distribute the product in question, that often. Most often, Polarbröd gets inquiries from the agents/distributors and does not need to do the other way around. Norrmejerier uses letters and e-mails frequently and compared to Polarbröd does not get that many spontaneous inquiries. Both companies compare intermediaries from one another and against the given criteria list from phase one.

4. Choosing the intermediary	Polarbröd	Norrmejerier
<ul style="list-style-type: none"> Personal meetings with the intermediary 	Yes, always	Yes, always

Polarbröd considers personal visits as a natural step in the process when selecting the agent/distributor. There is always a personal meeting taking place. Norrmejerier always want a face-to-face dialogue some time during the whole selection process, preferably as soon as possible.

6.3.3 RQ3: How can the channel management of an international distribution channel be described?

According to theory channel management is about choosing and motivating the intermediaries and to evaluate their achievements. There are also the issues of training and managing conflicts between producer and intermediaries to consider. The main issues in conflict management to consider are; selection, motivation, training, evaluation and managing conflict according to theory. We use tables to present and compare the info gathered. In the first table is the selection issue, in the second table is motivation and in the third, training. Thereafter comes the fourth table, evaluation, followed by the fifth and last table, managing conflict.

Selection	Polarbröd	Norrmejerier
<ul style="list-style-type: none"> Outlining of contract 	Sign contracts with all agents/distributors	Sign contracts with all agents/distributors after a test period of 1 year
<ul style="list-style-type: none"> Duration of contract 	2-3 years	2 years or more
<ul style="list-style-type: none"> Content in contract 	Storages, budget, price strategy and exclusivity	Product secrecy, payment, period of notice, category of customers, royalty and what geographical area to cover, not transfer the contract and not distribute competing goods
<ul style="list-style-type: none"> Lawyer present 	Always	From time to time

The respondents state that Polarbröd has closed deals with its agents/distributors. With new agents/distributors Polarbröd awaits and sees how well the agent/distributor in question works along with the Polarbröd guidelines and wishes. In what stage the deal/contract is written depends on what time of the year it is. Norrmejerier finds that contracts are occasionally hard to seal. Norrmejerier waits for about one year before it sets any agreements and signs any contracts. Norrmejerier always start off with one year test period with no obligations. Polarbröd writes the contracts for a period of 2-3 years. If the collaboration works and the agent/distributor does a good job the contract is renewed on a regular basis. Norrmejerier

signs contracts with the long-term agents/distributors that run for 2 years or more, and are constantly renewed if the collaboration is successful. The contracts Polarbröd signs with its agents/distributors include the following: the agent/distributor must have facilities to store the deep-frozen products, it must obedience the price strategy, the budget must be followed and the agent/distributor must remain exclusive in order to maintain the confidence between both parties. The focus must always remain on the Polarbröd products. The contracts Norrmejerier signs state that the agent/distributor is obliged to follow the secrecy of the products, all product information that is classified as secret must stay within the company of the agent/distributor. Other conditions stated in the contract are payment, period of notice, category of customers, royalty and what geographical area to cover. Moreover, it is stated that it is not allowed to transfer the contract and it is not allowed to distribute competing goods. Polarbröd always has a lawyer present when writing contracts with exporting countries due to the fact that there are different procedures and practices to follow, depending on the country in question. Norrmejerier has lawyers present from time to time, generally to avoid misunderstandings when the culture gap is an issue. Having a lawyer present makes both parties feel safe and trust the contract; it has been formed clearly and with no question marks.

Motivation	Polarbröd	Norrmejerier
<ul style="list-style-type: none"> Motivating factors 	Bonuses, rewards, for example a percentage of the profit, and trips	Various discounts, support on trade fairs and inviting agents/distributors to the factory
<ul style="list-style-type: none"> Relations 	Tries to build nourishing and close relations with agents/distributors	Close relations to important agents/distributors
<ul style="list-style-type: none"> Communication 	Personal visits, phone calls and e-mailing	Personal visits, phone calls and e-mailing
<ul style="list-style-type: none"> Communication frequency 	Personal visits four times a year and more, phone calls and e-mailing take place once a day or at least several times a week	One phone call a month, e-mails when needed and personal visits vary from 1-6 times a year
<ul style="list-style-type: none"> Goals 	Goals are formulated in a five-year plan, which is further divided into a yearly plan, which in its turn is divided into monthly goals	Goals are set yearly

Polarbröd motivates its agents/distributors in a number of ways. Some motivating factors that are utilized are bonuses, rewards, for example a percentage of the profit, and trips. For example, Polarbröd invites agents/distributors to Älvsbyn and do sightseeing and various activities of the north of Sweden. Norrmejerier tries to motivate its agents/distributors in terms of various discounts, support on trade fairs the agent/distributor attend to and inviting agents/distributors to the factory.

Polarbröd tries to build nourishing relations with its agents/distributors. Polarbröd's aim is always to establish long-term and close relations where the collaborations with the agents/distributors run well. In order to build up long-term and close relations the respondents state that it is important to interact with the agents/distributors in addition to business. The relation to agents/distributors is considered as a competitive advantage. A close relation is a competitive advantage but if not having a close relation to the agents/distributors there is no point in pursuing further business. Norrmejerier's relations vary from agent/distributor to agent/distributor. With some agents/distributors, for example the ones in Finland, there are close and long-term relations compared to the one in France which is formal and not that

reliable. Close personal relations are considered as a competitive advantage. However, businesses can be successful even though there are no close relations.

Polarbröd communicate with its agents/distributors on a regular basis. Personal visits take place from four times a year and more. Communication over the phone and e-mailing takes place once a day or at least several times a week. This is in general, but it depends on what relation that has been established. The communication Norrmejerier pursues with its agents/distributors is not as frequent as Polarbröd's. Generally there is one phone call a month and personal visits vary from one-six times a year. Collaborations continue in a natural manner and there is not much need for communication. The communication is more frequent when there are new investments or projects planned, or if it is a market Norrmejerier put much investment in.

Polarbröd formulate goals in a five-year plan, which is further divided into a yearly plan, which in its turn is divided into monthly goals. This plan is formulated by both parties. The goals are based on sales figures and profit. Norrmejerier set goals for the agents/distributors for one year period, in terms of sales volume. To set goals is not a big part of Norrmejerier's channel management. Hopefully, the agents/distributors do this on their own.

Training	Polarbröd	Norrmejerier
There is training pursued	Yes, but very limited	No
Information exchange	Yes	Yes

Polarbröd has almost no training. Polarbröd invites its agents/distributors to the factory where the bread is produced in order to inform the parties of the process that takes place and to get to know the values with the product and how to handle it. There is no training in the products of the competitors. This happens in an early stage of the collaboration. From then on, the agents/distributors "live" with the product and a "living process" takes place. There is no investment in training at Norrmejerier. There are scarcities in this area where agents/distributors do not speak the same language. It is assumed that agents/distributors have knowledge of the product but that is not always the case. Both companies state that there is a lack of training and improvement in this area is needed. Due to the fact that Polarbröd demands focus on its products from the agent/distributor it results in a natural learning process about the products and its constant developments. Thereby there is a constant exchange of information from both parties. Norrmejerier exchanges information with its agents/distributors. The agents/distributors share its information of the product of Norrmejerier. There is an open dialogue of how the product of Norrmejerier is received on the foreign market and what positive or negative opinions have been raised. Norrmejerier tries to absorb and learn from this information. Norrmejerier considers exchange of information as a motivating factor.

Evaluation	Polarbröd	Norrmejerier
Type of evaluation	Measurements, i.e. sales figures and total turnover	Looking at sales figures

There are evaluations of the agent/distributor taking place regularly, in terms of measurements conducted by Polarbröd. Polarbröd uses the information that has been gathered from the

various measurements and evaluates it. However, evaluation is a process that comes naturally during the collaboration. If something does not work it is dealt with immediately. Norrmejerier evaluates the performance of the agent/distributor in terms of looking at sales figures. As long as sales figures are satisfying, Norrmejerier has no further reason to look into the performance of the agent/distributor.

Managing conflict	Polarbröd	Norrmejerier
Sources of conflict	Budget planning and negotiating the price	Price arguments and conditions of payments
How to manage conflict	Outline a clear contract and use common sense	Outline a clear contract, use common sense and be generous with reclamations
Training	No	No

Most often conflicts arise from the budget planning and when negotiating the price at Polarbröd. At Norrmejerier most conflicts arise due to price arguments and conditions of payments. Due to the fact that Sweden generally has a period of 30 days to pay invoices while abroad there are generally 45-60 days of paying invoices, there might occur misunderstandings and frustration.

Polarbröd emphasize the importance of outlining a clear contract, which states what obligations and requirements there are of each party, in order to prevent and avoid conflicts. Norrmejerier consider it is vital to carefully outline the conditions of payments in the contract in order to avoid conflicts and further ads that by being generous when handling reclamations is also a way of preventing and avoiding conflicts. When Polarbröd deals with conflicts it is important to use common sense. Most of the obligations and requirements are covered in the agreement. When conflicts at Norrmejerier occur common sense is used as at Polarbröd, but Norrmejerier ads that it is always difficult to handle conflicts with international partners due to differences in culture and language.

Polarbröd lacks in training in conflict management, however, most often this is resolved by having discussions and compromise. At Norrmejerier there is no training in conflict management, this is something that needs improvement.

7. FINDINGS, CONCLUSIONS AND IMPLICATIONS

In this chapter we will conclude the findings from our research. In order to do so, we will restate each of the research questions posed in chapter three and try to answer them, based on our conducted research. We will also give some overall conclusions before presenting implications for theory, management and future research.

7.1 How can an international distribution channel be described?

Based on results from our study we have seen that exporting companies that act in the international market use two types of distribution channels. The first type of international distribution channel is for the producer to use agents/distributors which in their turn use retailers in order to reach the end consumer. The second type of international distribution channel is also for the producer to use agents/distributors, but which in their turn use wholesalers that use retailers in order to reach the end consumer.

We have found that exporting companies choose one agent/distributor in each country which covers the entire country market. In addition to this we have found that an exporting company uses two agents/distributors in its major market which is invested the most time and money in. The two agents/distributors handle different target segments.

From these findings, we can more specifically conclude that our study found that:

- Exporting companies use agents/distributors in order to reach the end consumer
- Agents/distributors used by exporting companies cover their entire country market
- The higher level of investment in a country market, the more agents/distributors are utilized

7.2 How can the selection process of an international distribution channel be described?

When selecting an international intermediary there is a four phase-frame to use. The first phase is drawing up the intermediary profile, the second phase is locating prospective intermediaries, the third phase is evaluating prospective intermediaries and the fourth phase is to choose the intermediary. We have found that exporting companies apply all the four phases.

When exporting companies draw up an intermediary profile we have found the criteria Goals and Strategies and Willingness to cooperate with the exporting company are considered as the most important. Goals and strategies of the exporting company must correspond to the goals and strategies of the agent/distributor in order to collaborate in the same direction. Willingness to cooperate with the exporting company is a determinant criterion in order for a successful collaboration. We have found that the following most important criteria are Financial strength and Lines handled. Financial strength is important in order to get a general picture of the agent/distributor and Lines handled is important in order to make sure that the agent/distributor only handles complementing products and not competitive. We have

furthermore found that exporting companies use an additional criterion on the list which is “commitment for the product” and is considered as the single most important criterion.

We have found that many criteria are not considered when drawing up the intermediary profile. They are Compatibility, Experience in products/with competitors, After-sales service capability, Knowledge/use of promotion, Record of sales performance, Communications and Cost of operations.

We have found that exporting companies do not collect information from banks, trade publications, government agencies or perform personal visits, in the second phase when locating prospective intermediaries. Exporting companies do turn to trade organizations such as The Swedish Trade Organization, “Food from Sweden” and “Handelskammaren”. Moreover, we have further found that exporting companies use word-of-mouth, ask contacts and previous collaborators in order to locate prospective intermediaries. We have also found that to advertise in trade press, to visit and participate actively in trade fairs in order to locate prospective agents/distributors are used methods by exporting companies. Furthermore, there are exporting companies that get many spontaneous inquiries and does not need to put much effort into phase two.

In phase three, when exporting companies evaluate prospective intermediaries, we have found that references from banks and suppliers are used. Moreover, in order to find out the history of the prospective intermediary, exporting companies use various sources to collect information. We have found that during phase three, when establishing contact by letters or e-mail, exporting companies use it either frequently or rarely depending on what relation the exporting company tries to achieve. We have found that exporting companies compare intermediary prospects from one another and apply the criteria list from phase one when evaluating prospective intermediaries. Exporting companies find phase three as a natural process during the selection of- and collaboration with the agent/distributor.

We have found that when it is time for phase four – choosing the intermediary - exporting companies always perform personal meetings with the intermediaries that are still prospects after phase three. Exporting companies have normally already met the prospective intermediaries in an earlier phase than this.

From these findings, we can more specifically conclude, that our study found that:

- When selecting an intermediary, “drawing up the intermediary profile” is the most important phase
- The most important criteria are “goals and strategies” and “willingness to cooperate” with the exporting company when drawing up the intermediary profile
- The higher level of spontaneous inquiries, less use is necessary of phase two - locating prospective intermediaries
- In addition to theory exporting companies apply the trade press in order to locate prospective intermediaries

7.3 How can the channel management of the international distribution channel be described?

Channel management consists of five main issues. They are selection, motivation, training, evaluation and managing conflict. We have found that all these issues are not considered when exporting companies manage their international distribution channels.

We have found that selection is to a great deal a part of the selection process and the part of it can be classified as channel management is agreements. Exporting companies sign contracts with all agents/distributors, however, there is usually a test period of 1 year prior to this. The duration of a contract is usually two years or more and from then on is renewed automatically if the collaboration is successful. We have found that the main issues to cover in contracts with international agents/distributors are storages, budget, price strategy and exclusivity, product secrecy, payment, period of notice, category of customers, royalty and what geographical area to cover, not transfer the contract and that the agents/distributors are not allowed to distribute competing goods. We have furthermore found that some exporting companies always has a lawyer present when outlining the contract with international agents/distributors due to the fact that there are different procedures and practices to follow, depending on the country in question. Some exporting companies only have lawyers present from time to time, generally to avoid misunderstandings when the culture gap is an issue.

We have found that motivation is a main issue in channel management. Exporting companies use motivating factors such as bonuses, rewards, trips, support on trade fairs and inviting agents/distributors to the factory. Relations and communication plays a central role in the collaboration with the agent/distributor. Having a close relation to the agent/distributor is considered as a competitive advantage by exporting companies. However, some exporting companies state that close relations is not a determinant - businesses can still be successful. Communication is pursued through personal visits, phone calls and through e-mailing. We have found that the communication frequency differ from various exporting companies. Some perform personal visits four times a year and more, phone calls and e-mailing take place daily or several times a week. Some exporting companies perform personal visits 1-6 times year, phone calls about once a month and e-mails when needed. Moreover, we have found that goals are always formulated, either in a five-year plan which is divided into a yearly plan which is further divided into monthly goals, or just on a yearly basis. We have also found that some exporting companies do not find this important and assume that agents/distributors set their own goals.

We have found that exporting companies do not pursue training and if so, it is very limited. Information exchange takes place where both parties share their information through communication. We have also found that evaluation of the international agents/distributors differs between exporting companies. Some conducts evaluations through measurements and consider evaluation as a natural process throughout the collaboration. Some conducts evaluations by looking at sales figures and as long as they are satisfying there is no further need for evaluation.

We have found that managing conflict is not a main issue in channel management and exporting companies do not conduct any training in this issue. Sources of conflict arise from budget planning, price negotiations and payment conditions. We have also found that

exporting companies use common sense when managing conflicts and emphasize the importance of a clear contract which states what obligations and requirements there are of each party in order to prevent conflict.

From these findings, we can more specifically conclude, that our study found that:

- The higher level of details in the contract, the less conflicts arise
- The more intense communication, the higher level of information exchange
- The more intense communication, the more close relation takes place
- Close relations with agents/distributors are competitive advantages
- Training of agents/distributors is not a main issue in channel management
- There is no training in managing conflict

7.4 Implications

In this section we will provide implications for theory, management and future research based on our findings and conclusions.

7.4.1 Implications for theory

The purpose of this study was to gain a deeper understanding of how international distribution channels are used, from the perspective of exporting companies, within the consumer market. The study has been exploratory since we have gained a deeper understanding of the area of research through gathering information concerning an area we had limited knowledge of. The study has been mainly descriptive since we have been able to describe international distribution channels, the selection process and finally channel management. Furthermore, the study has been to some extent explanatory due to the fact that we have answered our stated research questions and drawn our own conclusions.

- This thesis contribution to theory is based on empirical findings of the observable facts from two case studies and can serve as a base for further research. The thesis has contributed to theory in terms of adding the criterion “commitment of the product” to the criteria list in phase one of the selection process. Furthermore has the thesis contributed to theory in terms of adding factors to phase two in the selection process: to locate prospective intermediaries by advertising in trade press. Moreover, locating prospective intermediaries is not always a utilized phase by exporting companies due to the fact that there are exporting companies that gets many spontaneous inquiries. Thereby should spontaneous inquiries be added to this phase in theory.

7.4.2 Implications for management

- When drawing up the criteria list it is of advantage to consider all the criteria due to the fact that the profile of the intermediary will be more valid.
- It would be of advantage if management invests in training concerning conflict management. Exporting companies would gain on this due to the fact that there would be more successful collaborations with intermediaries when conflicts can be avoided.

- Management should invest in training concerning the products, but also training on the competitive products, and thereby clarify the advantages and competitive advantages there are of the products of the exporting company.

7.4.3 Implications for future research

- This thesis is out of the perspective of the exporting company. It would be of interest to investigate the perspective of agents/distributors and pursue further research in how their selection process is constructed when choosing exporting companies.
- Another research area that would be of interest is to investigate how agents/distributors select their intermediaries, such as wholesalers and retailers.
- Furthermore, the research area of this thesis is within the consumer market. It would be highly interesting to pursue the same research but within the industrial market.
- Another highly interesting research area would be to investigate new technology distribution channels such as internet, compared to our study that investigates traditional distribution channels.
- It would also be of use to investigate, both traditional and new technology distribution channels, within the home market, instead of investigating out of the international perspective.
- Finally, we would find it interesting to pursue the same study but use other companies to gather information on, in order to find out if we would end up in the same findings and conclusions as we have in this study.

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APPENDICES

Appendix 1: Interview guide (English version)

GENERAL INFORMATION

Questions related to the company:

History of the company?
Where is it located?
Number of employees?
Turnover?
What does the company do?
What products does the company export?
To what markets does the company export?
How much of the company's production is exported?

Questions related to the respondent/respondents:

Name?
Title?
For how long have you been employed?

THE INTERNATIONAL DISTRIBUTION CHANNEL

Why do you export?
What does the international distribution channel look like?
How many intermediaries is part of it?
What responsibilities and obligations does each intermediary have?
Why are intermediaries used?
How big is the area each intermediary covers?

THE SELECTION PROCESS

How much time and money have you invested in the international distribution channel of yours?

Do you have any requirements on the intermediaries?

- Demands
- Criteria

Please rank the following criteria from very important, important, not important and not considered.

- Goals and strategies
- Size of the firm
- Financial strength/credit rating
- Reputation with suppliers, customers, and banks
- Trading areas covered
- Compatibility

- Experience in products/with competitors
- Sales organization and quality of sales force
- Physical facilities
- Willingness to carry inventories
- After-sales service capability
- Knowledge/use of promotion
- Record of sales performance
- Relations with local government
- Communications
- Overall experience/attitude/commitment
- Lines handled
- Cost of operations
- Knowledge of English or other relevant languages
- Knowledge of business methods in the exporting company's country
- Willingness to cooperate with the exporting company

How do you locate prospective intermediaries?

How do you analyze and evaluate prospective candidates/intermediaries?

How do you select intermediaries?

How do the existing products of the intermediary affect your selection of intermediary?

- competitive
- complementing

CHANNEL MANAGEMENT

Have you closed deals/contracts with intermediaries?

What did it involve in that case?

Was there a lawyer present?

In what stage was the deal/contract sealed?

Is there a test period? In that case – for how long does it last?

For how long does the deal/contract apply?

What relation do you have to your intermediary?

Is it on short- or long term?

Do you consider the relation with the intermediary as a competitive advantage? If so, how? In what way?

Do you utilize any motivating factors? If so, what factors?

How and how often do you communicate with the intermediary?

Do you have set goals for the intermediary? If so – goals set for a month/months or goals set for a year/years?

Do you train your intermediaries? If so – in what area/areas?

Do you evaluate the organization and performance of the intermediary? In that case – how?

Does the intermediary share its information of the product?

How does the company handle conflicts?

What is usually causing conflicts at the company of yours?

How do you prevent conflicts?

Do you have training within conflict management?

Appendix 2: Intervjuguide (Swedish version)

ALLMÄN INFORMATION

Frågor relaterade till företaget:

Företagets historia?

Var finns det?

Antal anställda?

Omsättning?

Vad gör företaget?

Vilka produkter exporterar företaget?

Till vilka marknader exporterar företaget?

Hur stor del av företagets totala produktion går till export?

Frågor relaterade till respondenten/respondenterna:

Namn?

Titel?

Hur länge har Ni varit anställd?

DEN INTERNATIONELLA DISTRIBUTIONSKANALEN

Varför exporterar Ni?

Hur ser den internationella distributionskanalen ut?

Hur många mellanhänder ingår i kanalen?

Vad för ansvar och skyldigheter har varje mellanhand?

Varför används mellanhänder?

Hur stort är området som varje mellanhand täcker?

URVALSPROCESSEN

Hur mycket tid och pengar har Ni investerat i Er internationella distributionskanal?

Har Ni några krav på mellanhänderna?

- krav
- criteria

Var snäll och rangordna följande kriterier från väldigt viktigt, viktigt, inte viktigt eller inte berört.

- Mål och strategier
- Företagets storlek
- Finansiell styrka/kreditvärdighet
- Rykte bland leverantörer, kunder och banker
- Nuvarande handelsområden/marknader
- Kompatibilitet
- Erfarenhet av produkter och konkurrenter
- Försäljningsorganisation och kvalitén på säljstyrkan
- Fysiska inrättningar

- Vilja att ha inventarier
- Servicekompetens efter försäljningen
- Kunskap och användning av promotion
- Register av försäljningsförmåga
- Relationer med lokala myndigheter
- Kommunikationer
- Allmän erfarenhet/attityd/åtagande
- Aktuella produktlinjer som hanteras
- Kostnader av aktiviteter
- Nivå på engelska och andra relevanta språk
- Kunskap om affärsmetoder i exportföretagets land
- Vilja att samarbeta med exportföretaget

Hur lokaliserar Ni möjliga mellanhänder?

Hur analyserar och utvärderar Ni möjliga kandidater/mellanhänder?

Hur väljer Ni mellanhänder?

Hur påverkas valet av mellanhand av vilka produkter mellanhanden arbetar med för tillfället?

- Konkurrerande
- Kompletterande

CHANNEL MANAGEMENT

Har Ni slutna avtal/kontrakt med Era mellanhänder?

Vad ingick i så fall?

Var det en advokat närvarande?

När slöts avtalet/kontraktet?

Finns det en test/prov-period? I så fall – hur länge varade den?

För hur lång period gäller kontraktet?

Vad för relation har Ni till Er mellanhand?

Är relationen kort- eller långsiktig?

Anser Ni relationen till mellanhanden vara en konkurrensfördel? I så fall, hur? På vilket sätt?

Använder Ni några motiverande faktorer? I så fall, vilka?

Hur och hur ofta kommunicerar Ni med mellanhanden?

Har Ni fastställt mål för mellanhanden? I så fall – är de satta för en månad eller för ett år?

Utbildar Ni Era mellanhänder? I så fall – inom vilket/vilka områden?

Utvärderar Ni mellanhandens organisation och verksamhet? I så fall – hur?

Delar mellanhanden med sig av dess information om Er produkt?

Hur hanterar företaget konflikter?

Vad brukar vanligtvis vara orsaken till konflikt på Ert företag?

Hur förebygger Ni konflikter?

Har Ni någon utbildning inom konflikthantering?

