ENTRY OF INTERNATIONAL COMPANIES INTO KOSOVO'S MARKET: CASE STUDIES OF IPKO, TEB, AND LINDEX

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ABSTRACT
Foreign Direct Investment (FDI) makes the way through a considerable number of factors. It is often seen as a way of exercising the economic power in certain countries, and even as neocolonialism. Yet, the era of a globalizing and heavy interdependent world economy, especially in poorer countries, pushes the governments to invest in promoting the attraction of the FDI. The investors from their side chose the places where they assess to do business easier and generate more profit. Apart from the countries competing to provide better investment climate, the companies also compete with each other to seize the opportunity where to invest. Their decisions to invest are mainly based on favorable business environment of the hosting country. Rent-seeking behavior is generally believed to be a strategic deterrent of considerable FDI. However, this becomes an opportunity for certain investors to move in. Having realized this, instead of rent-seeking behavior, the bulk of FDI in Kosovo is occurring through joint ventures between local and foreign companies. Although in absolute terms this falls short in attracting less FDI than in the neighboring countries, it has some advantages in balancing the interests between local and foreign investors. One of these is that the foreign investor is not free to repatriate its full share of profit back to its own country or company headquarters, thus the money stays within the country where it was invested and circulates into the economy. How long this process may go and whether it can be competed or superseded by other forms of FDI, this paper comes with an assessment and recommendations on their perspective through three case studies: i) a telecommunication and internet provider company (IPKO), a bank (TEB), and a franchise (AB Lindex).

Keywords: FDI, entry, franchising, emerging markets

INTRODUCTION

Due to the globalization process, managers in the contemporary world see the need to raise their skills and knowledge in their companies in order to compete effectively on international markets. They need sophisticated, often multidimensional knowledge and skills. Companies that have been able to secure participation in the local market and when it seems that the market is saturated or faced with strong competition are forced to look for foreign markets. When there is a demand, firms are likely to specialize in a product or service, or what is best for them, but also for consumers in the local market. Demand in foreign markets may be different and associated with other features. As far as foreign markets are concerned, export is the main goal, but the way to achieve this goal is not simple. This requires the recognition and development of international marketing and exporting, which means that from the moment of entry into foreign markets and the sale of products there, there are many procedures and expenses.

The truth about globalization from different perspectives, as Legrain points out, is that there are many misunderstandings about it and that may be why many people see it as something they are afraid of. Globalization is a process, not a destination. The disappearance of state borders will not happen, nor will illegal immigration be stopped, regardless of how controlled the borders will be. However, the more people circulating money, goods, and people in the regular form, the more interdependent the states,

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companies and consumers will become. In this sense, globalization contributes to the growth of economic well-being at the boot level, and even more at the level of states. As a good example of China's long-running economic development, whose economy depends heavily on oil imports and exports of cheap-priced products. This lesson has rejected many allegations that large companies in the capitalist countries are exploiting economically and making many developing countries dependent. Economic globalization has enabled the mobilization of many resources and raw materials around the world. If coffee came from Brazil, bananas from Ecuador, orange from Spain, consumers in the countries where they cultivate would pay a high price for them unless there was globalization that is in the process of making the most interdependent economic world.[1]

As a consequence of the globalization process and the maturity of domestic markets, opportunities have emerged to attract companies to enter new markets. Entering a market simply means that existing company products or services are also available in a foreign country. The main reasons why companies seek to enter new markets in foreign countries, according to Johansson are:[2]

• To exploit market potential and economic growth. This is a typical marketing target.

• High profit level.

• Learning from a major market. Shareholders have the ambition to distribute existing knowledge in smaller markets and materialize this knowledge.

• Pressure from competitors. Entering markets where existing companies have a sophisticated position at first glance will seem a failure. But, on the other hand, increasing pressure on those markets drifts the attention of the strong competitor to new markets.

• Diversified markets.

• Learning how to develop a business abroad. This is an important effect to spread marketing in a foreign country.

Motivation is an important factor that helps different companies to enter the foreign markets. There are different ways of motivating companies to access foreign markets, among which is the international promotion that is achieved through various means that may encourage the purchase of products by the customer. Promotion is carried out through: recruitment of agents, the appointment of distributors, arrangements for Joint Venture, retail sale, commerce and electronic agreements, and licensing.[3] Forms may vary depending on the cost, risk and level of control that can be exercised over companies that have expressed their interest in entering foreign markets. Before making a decision, of course, a strategy is needed, which includes the modes of entry and the marketing plan. When an entry mode takes place, the company must plan the flow of two important things in product distribution. First, the flow of transactions and the second the flow of physical product. For both of these and the choice of modes of entry, export marketing channels are of particular importance. Marketing management certainly strives to always find the best channels or the ones that manage to satisfy the company and customer's objectives in the country where it is exported. When the company enters the foreign market, then it is a good opportunity for it to become internationalized to contribute to the course of globalization, and thus meet its objectives even better. Such is the example of three case studies in this paper, where the companies found it beneficiary to enter an emerging market such as Kosovo.

[1] Legrain, Philippe (2002), *Open World: The Truth About Gloablisation,* London: Abacus.
[2] Johansson, Johny K. (2000), *Global Marketing*. New Jersey: McGraw-Hill.
[3] Caribbean Export Development Agency (2007), *Export Marketing: How to Prepare to Export Successfully And Promote Your Company Through Trade Fairs,* Belize: Inovative Project Solutions Ltd.

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ENTRY STRATEGIES INTO FOREIGN MARKETS

Entry simply means that existing products and services of a company have become available in the market. Today, there are various entry strategies used by firms to access international markets. Ayal and Zif have distinguished two general strategies to approach international markets: 1) market focus strategy, and 2) market diversification strategy. If the company chooses the first strategy, its efforts focus on a limited number of attractive markets, while with the diversification strategy firm efforts are deployed to include a large number of markets.[4]

There are a variety of modes to enter foreign markets, which may vary depending on the cost, risk and level of control. Before making a decision, of course, a strategy is needed, which includes the modes of entry and the marketing plan. Marketing management strives to always find the best channels or the ones that manage to satisfy the company and customer's objectives in the country where it exports. When the company enters the foreign market, then it is a good opportunity for it to become internationalized to contribute in the course of globalization, and thus meet its objectives even better.

Expanding to foreign markets can be achieved through the following most popular modes of entry: 1) export, 2) licensing, 3) strategic cooperation, 4) direct investment, 5) franchising, and 6) mergers and acquisitions. Each of these modes of entry has its own features. The company can choose one single entry mode, but at the same time it can also apply the others depending on the benefits they will bring.

Export is the simplest and most traditional mode of entry to foreign markets where direct sales of goods from one country to another country are made. It can be based on experience, which means that many things about exporting marketing have emerged from the flow and penetrative practices in foreign markets. Nowadays, exports take on different modes, and they are completely transformed when the exporting company sees the selling value of the products, takes the initiative and decides to produce the same products in those markets and thus eliminates a lot of transaction costs. Exports usually require coordination between four individuals such as: exporters, importers, transport providers and government.

Licensing is the form in which a firm in one country agrees with a firm in another country and is allowed to use the production with the same trademark. Licensing is essentially the mode by which a company in a target country is allowed to use the property by granting the license. The licensee pays a fee for the right to use. An excellent licensing example is Coca-Cola where in Zimbabwe, United Bottlers has the license to make Coca-Cola. Licensing includes fewer costs in which price increases are achieved through signing the agreement.

Strategic cooperation is a mode of entry into foreign markets which can be defined as an enterprise in which two investors or shareholders have control over their property right. Entering through strategic co-operations requires five objectives to be met in a joint venture such as market entry, the risk that may arise in profit sharing, technology sharing, and joint product development in harmony with government regulation. However, this mode of market entry requires a high level of engagement and resources.

Direct investment is made in the target country, including the transfer of resources, capital, technology and personnel. It also takes place in a form of joint ventures. Direct investment access ensures a high level of control as well as the ability to better understand the customers and the competitive environment. However, this mode of market entry requires a high level of engagement and resources. The main reasons for direct investment instead of export are in a number of reasons. First, enterprises especially multinational companies require places to invest where they have raw materials and cheap labor force. The second direct investment has an advantage over exports since they bring more long-term benefits and affect the elimination of the many expenses that occur at different stages of export. Third, products

[4]Ayal, Igal K. and Zif, Jehiel (2003), "Designing and Managing Global Marketing Strategies", *Journal of Marketing 43*: 84-94.

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intended to be exported are easier to accommodate the needs of consumers if they are produced in that country. Fourthly, they enable a combination of resources that are scattered disproportionately in different countries (technology, raw material, cheap labor, consumers). And last but not least, direct investments have advantages over many stages in international trade that require the import of raw materials from a semi-factory site from another country to product and finalization and export of those products to third countries.

Franchising involves getting the right to use a business model or a brand of another company. The two parties in a franchise agreement are the franchisor and the franchisee. The first retains the right to secure protection of the trademark, business model and know how, while the latter is obligated to carry out production and services in compliance of the former. The franchisee while acting as an independent merchant, it should enjoy the protection by the franchisor of any trademark infringement which the third parties may make.[5]

Mergers and acquisitions can be a strategic mode of entry into a foreign market. Merger is a union between two or more companies or plants with the objective of consolidating their activities and performance. A foreign company which finds it difficult or has encountered some barriers of entry on its own may find a company in local market to merge with, thus ensure an easier way of entering. Acquisition implies taking over wholly or partially the ownership in a company. Thus, acquisition is a strategic mode of entry into a foreign market. Before deciding for this form, a foreign company assesses the costs and benefits whether it is worth entering alone or buying a local company that is already specialized in producing similar products of delivering the same services.

BARRIERS AND THE EASE OF ENTERING EMERGING MARKETS

The barriers reduce the degree of entry of new companies, thus retaining the level of profits for those already in the industry. From a strategic perspective, barriers can be created or exploited to gain competitive advantage in certain companies. The expected effect of entry barriers is to reduce the flow of entry into the industry. Sudarsanam described the effectiveness of rising barriers in the market that is conditioned by other elements of the market structure such as narrower or wider oligopoly.[6] Nowadays, there are different types of entry barriers. According to Porter's earlier findings, there are seven main entry barriers that companies will most likely face when entering or after entering foreign markets. Those barriers are:[7]

1. Economy of scale: includes a company's ability to reduce the unit cost of production for their products by increasing their production. For this reason, it is likely that new firms or entrances will be at a disadvantage at significant cost if they cannot produce large-scale production to compete.

2. Differentiation of products: As a result of customer service, advertising, by looking at the market of a good or service, customers can believe that the firm's products are unique (e.g., consumers have high loyalty to Brand of a product).

3. Capital Requirements: Firms should invest large financial resources to compete in the market. Lack of these resources creates a barrier to entry, especially if it is necessary to become irreplaceable advertising or research and development expenses. New entries will also be needed for capital investment in physical facilities, inventory, marketing activities, and other business functions.

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[5]United Nations Industrial Development Organization – UNIDO (1996), *Manual on Technology Transfer Negotiation: A reference for policy-makers and practitioners on Technology Transfer*, Vienna: UNIDO.
[6]Sudarsanam, Pulyiur S. (1992), "Market and Industry Structure and Corporate Cost of Capital", *The Journal of Industrial Economics* 40:189-199.
[7]Porter E, Michael (1980), *Competitive Strategy-Techniques for Analyzing Industries and Competitors*, New York: Macmillan.

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4. Displacement Costs: an entry barrier is created by the cost when the company is once connected to a supplier of the product or service and then switches to another supplier.

5. Access to distribution channels: A new entry to ensure product delivery can create an entry barrier. Once the relationship with distributors is established, companies will feed this relationship to create shifting costs for distributors.

6. Independent cost of size: from time to time, competitors who have a cost advantage in new entries cannot be copied (e.g. favorable access to raw materials, desirable sites, government subsidies, technology from Owner of the product, etc.).

7. Government policy: Governments can restrict access to an industry by licensing, licensing requirements, or limiting access to raw materials (eg exploration, processing, and oil prices). Also, the Government may provide subsidies or development of favorable government policies affecting specific industries.

In fact, in the overall classification, there are two types of barriers: tariff barriers, and non-tariff barriers, which we will briefly outline below.

CUSTOMS TARIFFS

Customs tariffs are often set based on the direction of product movement, meaning imports or exports, which may enter into a common package as barriers. When export tariffs are set, they are usually applied to the scarce resources of the exporting country or raw materials. The purpose of imposing tariffs by the Government is to collect tax revenues to protect domestic industry, agriculture and work against foreign competitors trying to keep foreign goods abroad and stimulate the consumption of domestic ones. Given the purpose of tariffs, compared to protectionism and income, this second goal or income is relatively lower than the first one.

Special assignments and variable tasks within the formal barriers apply to some things. The goal is to make it harder to import and sell or export products. Usually, special tasks apply to products that are considered unnecessary, such as luxury items, or may be produced locally, e.g. cars and stereo equipment. Variable tasks mean different rates for different product categories, depending on how many products are processed, and further processing that will undergo.

Redistribution and consumption tax at distribution points are collected at a particular distribution point, or when purchases and consumption occur. These taxes that are often regulated at the border are of four types: i) with a degree or stage, ii) added value, iii) according to transactions, and iv) excise tax. One-stage taxes are collected at just one point in production and distribution chain. This tax does not meet up to the last consumers who buy the products. Value Added Tax (VAT) is a tax occurring at some stages. It applies every time a product changes hands, even in intermediaries, where this type of tax has to be paid. However, even taxes collected at a certain stage are based on value added, rather than the total value of production at that point.

NON-TARIFF BARRIERS

Non-tariff barriers are more elusive or not so noticeable. As such, they are even more diverse. Their impact may be more destructive than of the tariffs. There are several hundred types of non-tariff barriers, but we will mention some of them: i) government participation in trade, ii) customs and entry procedures, iii) product requirements, and ii) quotas and Financial control.

Government participation in trade means when: a) the government routinely provides commercial consultation to private companies; b) the state is the last trader in government participation because the government is now the consumer or buyer himself who determines what, When, where, how much to buy, and c) the government provides a form of subsidies to protect local industries or to promote exports.

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Customs procedures such as barriers to entry include:

A) Classification: as a classified product may be arbitrary and contrary to the economic reason, and is often based on the judgment of a customs officer at least at the time of entry.

B) Evaluation: No matter how the products are classified, each product should continue to be of value. Value affects the amount of fees that apply.

C) Documentation: Can present a different login problem because many documents and forms are often needed, and other accompanying documents may be required may be complicated. Documentation requirements differ from country to country.

D) Licenses or permits: Not all products can be freely imported; Controlled imports require licenses or permits, e.g., Imports of wines, liquor, weapons, ammunition and explosives that require a license issued by an office or government.

E) Inspection: is an integral part of product purification. Goods should be examined to determine their quality and quantity in order to be freely imported or exported.

Product requirements: For goods to enter a country, product requirements arise from which sites to be met and then imported. Claims can be applied to production standards, where each country defines its product standards to protect its customer's health and safety, product specifications, packaging, labeling, and marking them all together because they are too many Interconnected. Many products should be packaged in a certain way for security and other reasons.

Quotas: are special provisions that limit the amount of imported foreign products in order to protect local firms and maintain currency. But quotas can be used to control exports through control regulations, thus limiting international trade. These restrictive monetary policies are designed to control the flow of capital so that the currency can be hedged. There are some forms that financial constraints can take, but more important is the exchange control. Exchange control is a technique that limits the amount of currency that can be taken abroad. Usually applies in cases where the domestic currency is overvalued, making imports pay for a smaller amount of currency.

The height and nature of barriers to market entry directly affect the decision of the entry strategy, and in particular the way of entry chosen by a company. Barriers increase the cost of access and limit the options available, and where they are high, the company may have only one choice or another, and can stay out. Thus, barriers to entry also exist in the firm's own place, when a company has sufficient retail coverage in a market. Outside the country, customs procedures are so long as to stop an importer's fresh produce from going to stores and being available to the consumer at the most convenient time for consumption.

Johansson listed two types of the group costs that non-tariff barriers incur:[8]

A) Inability created by obstacles translates into higher prices for consumers, and trades means that the barriers create additional costs for entry.

B) Regardless of the source of barriers, their existence means that some firms or individuals will be able to benefit from a monopolistic position. This individual looks like a watchman, he or she holds the keys to the market. When a domestic company builds a selected protection for its brand image with a strong brand, it can collect "rent" by charging premium prices. Where narrow links to distribution channels are needed, locals with good contacts with tax collectors establish a sort of arrangement between them. So the cost of doing business will be very high in these countries.

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[8]Johansson, Johny K. (2000), *Global Marketing*. New Jersey: McGraw-Hill.

FDI IN KOSOVO AND THEIR MAIN MODES

Realizing that foreign capital and international companies enter the markets which offer better investment climate and the way to do business, in 2007 Kosovo established the Investment Promotion Agency of Kosovo (IPAK), as an Executive Agency within the Ministry of Trade and Industry. The mission of IPAK is to facilitate and promote investments into Kosovo and improve Kosovo's investment climate. At the onset, the European Agency for Reconstruction (EAR) was the main donor of IPAK, which in cooperation with the Ministry developed two industrial parks and five business incubators across Kosovo. IPAK has an export promotion division that undertakes activities to promote Kosovo's exports by, inter alia, researching and identifying export opportunities.

Kosovo's tax system is simple and generally with lower rates than in the neighboring countries. An exception can be made to the Value Added Tax (VAT) which stands at 18%, but this does not play a role in the decision of foreign companies to enter for investment and business. A company when preparing an entry strategy, among others, considers the tax on profit and customs duties. The first or the tax on profit is taken into account as it affects the choice of the company. A higher tax rate implies more money to be paid to the state and less available profit or resources which the company can invest in business. The latter or the customs duties are taken carefully by international companies across different countries, especially in small ones like Kosovo, because businesses want to export. In this respect, import and export duties in Kosovo are virtually free, i.e. companies can trade between the borders. The tax on profit is 10%, the lowest among the countries in the region. These are two important incentives to international companies.

Apart from official or standard economic reform measures, a number of factors affect in a hidden way the decision of international companies to enter Kosovo market. Some companies, three of which are subject of this paper as case studies, are driven in by other motives than taxes and tariff barriers. In any case, first let us look at the figures on FDI, then discuss some of the main motives behind the companies entering the Kosovo market. As of 2013, the FDI in Kosovo were made mainly in the real estate sector (35%), followed by construction (15%), transportation and telecommunications (14%), financial services (11%), energy (8 %), manufacturing (7%) etc. Over the years, the situation in Kosovo has changed. Table below provides the figures of FDI by countries from 2007 to 2015.

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Table 1: Foreign Direct Investments in Kosovo by state of origin 2007-2014 (in mil. €)

Region/Country	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Austria	35.39	51.30	15.50	21.14	19.56	0.38	10.70	30.30	26.00
Germany	48.14	43.97	75.15	91.54	66.64	49.51	21.67	29.40	10.00
Slovenia	56.17	44.34	50.78	33.97	16.21	9.29	7.03	(9.40)	2.10
Great Britain	116.16	36.65	6.16	38.86	80.10	14.31	10.66	(39.50)	17.90
Switzerland	9.74	32.09	22.71	35.10	30.93	43.77	41.68	38.20	40.50
Turkey	5.44	23.78	14.49	4.90	34.69	65.55	82.73	20.00	28.80
Netherlands	41.24	22.47	15.07	14.54	14.19	(25.98)	(15.48)	(7.80)	(11.60)
Albania	3.44	21.85	23.32	20.25	11.19	4.74	19.28	20.40	16.20
Serbia	…	5.54	0.63	0.43	0.36	0.37	5.69	2.40	0.40
United States	8.81	4.79	11.85	12.58	14.32	10.78	12.70	14.70	12.80
France	8.56	3.48	6.03	3.85	0.21	6.30	3.80	3.30	1.60
Macedonia	0.39	1.98	1.52	1.80	5.79	1.19	4.65	3.20	1.10
Croatia	5.78	0.65	0.67	1.80	2.88	0.38	1.34	1.10	1.80
Cyprus	0.10	0.25	0.31	0.02	1.01	0.31	0.26	(0.30)	…
Norway	0.55	0.13	2.47	3.30	2.47	2.86	4.70	5.90	1.70
Italy	5.47	0.06	5.97	6.60	1.68	4.38	8.73	3.30	3.40
Greece	2.31	0.03	0.02	5.89	0.37	0.28	(0.38)	(0.60)	(0.30)
Others	93.03	73.08	34.78	69.25	91.27	40.23	39.27	36.60	11.00
TOTAL	**440.74**	**366.45**	**287.41**	**365.82**	**393.86**	**228.64**	**259.02**	**151.20**	**163.40**

Source: Central Bank of Kosovo (2015), Annual Report, Pristina: Central Bank of Kosovo.
*includes the first half of the year.

In the last years, as the figures from the table above suggest, there has been a steady decline in FDI to Kosovo. One explanation is that foreign companies once entering the Kosovo market and stabilized with investment, their further investment came from the profit they generated, which were no longer counted as FDI.

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In cumulative terms from 2007 to 2015, the largest amount of FDI came from Germany, to be followed by Switzerland, most of which from Kosovo emigrants who had migrated there and joint ventures with local companies. Turkey comes third. All together, these three countries accounted for more than 38% of total FDI in Kosovo. What has given rise to this pattern, was a positive relationship between trade and FDI, mostly import. At the same period under consideration, the countries also accounted for the largest share of Kosovo's imports. An earlier explanation of this relationship was that trade intensification acts as an initial stage towards FDI, which implies that the companies exporting goods to Kosovo switch to enter the market in one way or another to provide the demanded goods by producing them in Kosovo.[9] These appear to be among the main modes of entry into a foreign market, namely through export, as a preliminary phase to other arrangements such as FDI, strategic alliances (franchising), or joint ventures.

The sectors which attracted more FDI do not necessarily imply that the companies entering there make more profit. The real estate sector includes also former socially-owned enterprises that were privatized or sold to foreign private companies. That is why more than 1/3 of total volume of FDI is recorded as coming to this sector. In construction activities and infrastructure the government was often a contractor with international organizations while foreign companies carried out their work.

CASE STUDIES

In the case studies are chosen three international companies that entered in Kosovo and are operating in three different sectors. The first is in the telecommunication, the second in banking, and the third in manufacturing through franchising. They did neither face nor complain against any tariff barrier, though they faced some difficulties or non-tariff barriers to entry.

IPKO – INTERNET PROVIDER KOSOVO

IPKO was established in September 1999, initially as internet provider and cable TV. In 2001 Vala 900, a firm owned by Monaco Telecom, gained the license for mobile phone operation. It was keeping the monopoly by offering expensive and inefficient services. Consequently, some customers begun to switch to unofficial and cheaper Mobikos mobile operator from Serbia. After Vala 900 operated as a sole provider for three years, the public bid for the second operator was eventually announced. Two bidders applied, a local company IPKO-net in consortium with the American company Western Wireless and Slovenian Mobitel in alliance with Serbian Mobikos. Immediately after the result was acknowledged that Mobitel and Mobikos consortium is the winner, the competitor IPKO and Western Wireless, complained to the Government and the Government to UNMIK about irregularities in selection process. One complaint was that Mobikos has been illegally operating for some time and has already built some competitive advantages. The other was, the Regulatory Authority of Telecommunication was accused for not examining carefully 1,000 pages of documents in English and not being translated into Albanian.

A desperate need to provide the second legal operator failed in June 2004 when the PrimeMinister Bajram Rexhepi, requested from UNMIK to abolish the decision of the Regulatory Authority of Telecommunication. Just one day before resigning in March 2006, former Prime Minister Bajram Kosumi, signed a decision to recognize the Mobitel (in alliance with Mobikos) company the winner of tender for the second mobile operator. It was not clear why that decision was made public nearly one week later after it was signed. The decision was again overruled by UNMIK. In May 2006 the overruled winner Mobitel shocked the policymakers and general public because it bought75% of shares of its previous competitor and complainant IPKO-net (which was separated from partnership with Western Wireless) for €19.5 million. Once Mobitelbought IPKO-net, Vala 900 immediately lowered the prices by more than 50% for the services. The return of Mobitel was welcomed by the customers. At least, for their

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[9]Mulaj, Isa (2007), "Trade Performance and Foreign Direct Investment in Kosovo during the United Nations Administration and the Determinants of a Distinctive Path of Transition towards the European Union", in *The Western Balkans on Their Way to the EU?*,SinišaKušič and Claudia Grupe, eds., Frankfurt: Peter Lang, 85-120.

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shallow pocket it was not important which company from which country is becoming the second operator. For them, it was and it is much more important competition in the mobile phone telephony against monopoly prices definitely not worth to be paid. The second operator has not been licensed yet and this was expected to happen by the end of 2006. IPKO-Net, now owned by Slovene firm Mobitel is the main competitor that already gained the license for fixed telephony. In November 2006, the Regulatory Authority of Telecommunication estimated a loss of €200 million from the illegal operation of Mobikos.[10]

Once entering the market and expanding to mobile phone telephony, IPKO's main challenge has been to compete against Vala 900 in public ownership that was keeping the monopoly position and dictating prices at the expense of customers. So far, IPKO, despite being much smaller in terms of infrastructure and assets that Vala 900 had from Post and Telecom of Kosovo, followed a strategy of diversifying the services by which in many areas has overtaken Vala 900. Initially, IPKO introduced "rrethi yt" (your circle) by which the customers were offered the option of making calls to the people included in a circle at a very much reduced prices. The next step was to affiliate mobile phone conversations with the internet. In the latter, as IPKO enjoyed an advantage over Vala 900, and following the revolution of iPhones, it was able to offer a number of packages to customers, mostly for the internet. The Vala 900 from its own side was lagging behind. As it was in public state ownership, its chief executives came from political affiliations, get handsomely paid, but lacked the motivation to innovative ways of responding to the customers demand. There were and still are allegations that this publicly-owned company has become a nest for political affiliated militants to get employed there, and where corruption is also suspected to going on. This is seen as one of the major source of leading to less efficiency. Its CEO, whose monthly salary reaches up to €6 000 (an exceptionally high in Kosovo's labor market) complaint that it is the Viber who has begun destroying us. But the Viber is not destrying IPKO which keeps introducing various offers to the customers. The government of Kosovo tried for years to privatize the public Telecom in which Vala 900 is part of, but failed.

TEB – TURK ECONOMIC BANKASI

TEB entered the Kosovo market in 2008 as a joint venture between BNP Paribas and TEB A.S. Turkey. Today the bank is one of the leading financial institutions in the country, offering a wide range of corporate, commercial, trade finance, SME and individual banking products and services. It serves Kosovo through a network of 26 branches, dedicated business-client centers, and through a comprehensive range of delivery channels, including retail and corporate e-banking, call centers, ATMs and close to 3,000 points of sale.

The banking sector in Kosovo is dominated by two large banks, ProCredit, and Raifeissen, but the competition continued to emerge as a result of entries by other foreign banks like the TEB and other non-banking financial institutions. TEB has been able to bring in FDI through a partnership with other international institutions such as the European Bank for Reconstruction and Development (EBRD). The EBRD in 2017 is providing a €5 million loan to TEB for on-lending to businesses and the residential sector for investments in energy efficiency and renewable energy projects. The loan is the first under the new Kosovo Sustainable Energy Projects Framework and endowed with up to €12 million EBRD finance, €3 million grant support from the EU Office in Kosovo for incentives to the final beneficiaries as well as technical assistance provided by the Government of Norway.[11]

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[10]Domadenik, Polona, Isa Mulaj and RedekTjaša (2006), "Kosovo naPoti v TržnoGospodarstvo (Kosovo On The Route To Market Economy)" in *PriložnostiFinančnegaSektorija v TranzicijskihDržavah* (The Development of the Financial and Real Sectors in Transitional Countries), JanezPrašnikar and AndrejaCirman eds., Ljubljana: Časnik Finance, 2006, 363-378.

[11] EBRD (2017), 'EBRD and TEB to improve energy efficiency in Kosovo', available at: http://www.ebrd.com/news/2013/ebrd-and-teb-to-improve-energy-efficiency-in-kosovo.html.

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In its strategy, TEB maintains to be a responsible bank to provide an extraordinary, innovative and efficient banking experience for its clients. In pursuing this objective, TEB just like its main competitors, has introduced and applied e-banking. In 2016 compared to 2015, the net revenues from interest rates fell by 4.3%, and the net banking revenues by 3.6%. Yet, the bank's net profit over the same period of comparison increased by 5.8%.[12]Although the primary push factor of entry was interest rates in Kosovo, the bank in the course of operation adopted some of its operations by reducing the costs, thus being able to make more despite the revenues from interest rates declining.

AB LINDEX

Sweden based AB Lindex is one of Europe's leading fashion chains, with approximately 480 stores in 18 markets. More than half of Lindex's total assortment is made of sustainable sources and Lindex is dedicated to reach 80% by year 2020. In 2012 entered Kosovo through a Swiss corporation Mabetex Group. According to the actual results, Lindex is a fast growing business which is present in two markets with a potential to expand in the region (Kosovo, Albania, Macedonia). Currently it operatestwo stores in Prishtina (Grand Store & Albi Shopping Mall) and one store in Tirana, Ring Center – Albania. In Kosovo it employs 22 and in Albania 13 workers.

Mabetex signed the Master Franchise Agreement with AB Lindex which is a Regional Franchise for AB Lindex for three countries (Kosovo, Albania and FYR Macedonia). In the first it is already operating in FYR Macedonia aims to expand soon.Considering the agreement terms and also the criteria requested by the brand AB Lindex, entering into a Franchise Agreement was considered as the best option of entryinto this regional market. The entry strategy is handled according to the Franchise Agreement which is concentrated in the retail industry- clothing for women, kids and lingerie. The process of entry and expansion into Albania did not encounter any major difficulty. Given the existing potential of the region's retail industry, the company is developing the strategies to improve the presence of international brands. Though financial and human capital capacities are the key to developing a franchise business, there are other several factors that are taken into consideration before entering the franchise agreement, such as: specifics of the market, potentials and advantages, limitations and obstacles, target group, economic status/development, purchasing power, financial capacity of the company, human resources, contractual terms within parties, etc.

The entry mode chosed (franchising) incurred some costs and shortcomings which are mainly related to high financial costs deriving from the concept of brands and requirements as per franchise agreement. However, the advantages are higher considering the lack of presence of international franchise brands with a clear concept and assortment in the region. The company took the opportunity to enter respective markets after some tariffs have been removed regarding some specific non-commercial goods that imported or brought from Sweden. The main competitor remains Mango brand, which in the view of Lindex management has enetered earlier Kosovo and built a customes loyalty.

The initial investment related to the first store of Lindex in Grand Store Pristina was € 400,000. The plan for expansion inside Kosovo then absorbed another €250,000 as investment in the second store Albi Mall in Pristina. As both cases appear to be going well and to gruantee the return on investment, the company in its growth and expansion plan envisages the opening of additional stores and possibly plants in other cities of Kosovo. One of the plants that is underway to become operational is located in the city of Gjakova.

DISCUSSION AND RESEARCH

In broad terms, the motivation and the decision to enter Kosovo by the three international companies in question is driven by their international marketing strategies. Their strategies varied from one to another and they opted for the modes of entry which they assessed to be easier and bring more benefits. After they

[12]TEB (2016), *Annual Report,* Pristina: TEB.

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entered, their source of main benefits sometimes changed. Figure below illustrates the motives and modes of entry.

Figure 1: Entry of three international companies in Kosovo

Of course, the primary objective why a company goes abroad is to make more profit, after which they can find a considerable number of reasons. That is the mission of a typical business which it usually does not state in its mission statement but is understood. However, businesses initially decide upon a strategy and mode of entry. A strategy first finds a motivation. The motivation of IPKO, just like any other company offering similar services, was the acute need for telecommunication and internet after the 1999 Kosovo conflict. There was no any potential partner on site as much of the network needed to be constructed through FDI. The same company after consolidating its position in the market, acting as a monopoly alongside Vala 900, became a barrier to new entries. This was overcome when its rival striving to get a license, actually bought majority of its shares.

TEB chose partnership to enter the banking market, in a situation where the bank interest rates on loans to businesses and other entities averaged 14% per year, and a complaint by business entities on a monopoly or oligopoly position held by ProCredit and Raifeissen. The entry proved successful and the bank has been steadily growing, becoming the fourth (out of ten) largest bank. With the decline of interest rates on loans, the Bank's revenues from this source but the profit increased from other non-interest revenues, mainly from cost efficiency. The bank is currently close to the third largest (NLB) but has a long way to catch up with two dominating the market in Kosovo – ProCredit and Raifeissen. In any case, the bank played a major role in the market for loans as prior to its entry were very high, after which they gradually fell. This is coming at the benefits of borrowers.

Lindex is a more specific case which made the way through to Kosovo by a corporation established in Switzerland (Mabetex) that had a branch in Kosovo. The founder of Mabetex is also from Kosovo with business relationships in many countries. By this experience, Mabetex was able to find and bring a Swedish brand through franchising. The Franchise Agreement in the part that has been implemented so far, appears a success and has got potentials to grow soon .

CONCLUSION

A large and intense trade exchange, primarily import, appears to be a stage after which FDI may follow from the same countries. We have included three case studies of international companies that entered the Kosovo market. All three came from the countries which are also Kosovo's main trade partners, excluding Germany which remains the largest exporter and FDI to Kosovo as this paper has not taken a case of a German company. But what is the experience and lessons by the three companies entering Kosovo which came from the next three countries with their largest share of exports and FDI to Kosovo, namely Turkey, Slovenia, and Switzerland?

A period of export is as a first and classical stage entry serves as an experience to get more familiar with the local market. This however, does not necessarily mean that the same companies which used to export to Kosovo will enter the market in different ways later, despite that they may be at a more advantageous position than the others. The motives of entry differ across companies and sectors. IPKO's motivation was driven by realizing the emergency need for telecommunication and internet in Kosovo. In fact, other companies were also in search of appropriate modes of entry with the same motive – an emerging market for telecommunication is a potential for company to make profit. Being the first has considerable advantages, at least in the short run.

Apart from strategies and modes of entry, it suggests that ownership does matter in terms of entry, innovation, efficiency and competition. This has proven to be the case in telecommunication and banking sector. Foreign companies and investors are less likely to become part of the companies in public ownership such as Vala. They may want to select a management who would be able to run the company for lower salaries and be accountable for the company's performance compared to the competitors, rather than put in their various employees whose primary objective to receive a salary and remaining loyal to political affiliations.

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In the banking sector, there is still room for more competition. TEB brought a part of it through partnership. The number of new entries may not matter in competition, but the terms and conditions which they offer do. That is where potential new entrants should work on their strategies of entry. Lindex opted for franchising to enter the Kosovo market and is expanding in the region. Other international companies can consider franchising in various sectors as an entry mode into Kosovo. Although an emerging market, this paper suggests that motivations and various entry modes do matter for both companies and the customers, especially for the ones that enter first in certain sectors.

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