GASNOR AS

-Entering the German Gas market in Lübeck-

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This market study is conducted as part of a Bachelor’s Degree at The Norwegian School of Management & The University of Mannheim. This does not imply that these institutions approve of the applied theories, findings or conclusions made.

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“LNG is expected to become as ubiquitous and crucial to the global economy as petroleum is today. Scenario planners at Royal Dutch Shell think that gas may surpass oil as the world’s most important energy source by 2025”

The Economist, August 28 2004
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Executive summary

Gasnor AS is a Norwegian Gas company consisting of 50 employees. Gasnor is characterizing Norway as its main market, with their main activities on the west side of Norway, where they have their main office. Nowadays they are considering expansion to the German market, but they already have some international activities, delivering gas to parts of England and Sweden. Since Gasnor are planning on expansion to Germany they have asked us to make a market research for them, and to give them advices through a recommended strategy which we have conducted at the end of this paper. We came up with the recommended strategy through usage of an internal and external analysis. In the external analysis we used the PESTEL-analysis in order to cover the needed external ground, and in addition we used Porter’s model. In the internal analysis we used the born global-theorem and defended why we characterize them as that. Furthermore in the internal analysis we used the good export circle to cover Gasnor’s internal competence and attitude in order to find out how sharpened they are for the globalization. Through the external and internal analysis we came up with where in the nine windows Gasnor should place themselves in order to reach the most beneficial market for them. We placed Gasnor the window expansion to new markets. When it comes to the entrance strategy we recommended Gasnor to
focus on increasing their visibility in the German market and strive to increase their network. Finally we concluded our entrance strategy by recommend to use an agent since that would benefit Gasnor the most, in regard to helping Gasnor avoid cultural misunderstandings, and an agent would provide Gasnor with already existing market network.

Definitions

LNG (liquefied natural gas) is natural gas, cooled down to -163 Celsius. At this temperature it condenses to liquid at an atmospherically pressure. The LNG is compressed approximately 600 times making it more economical and practical to transport. LNG is exported to customers who are not connected to gas pipes and therefore have to receive their gas through other means such as ships and trucks\(^1\).

CNG (Compressed natural gas) is a term for natural gas primarily used in vehicles. The gas is compressed to at least 200-bar pressure. CNG is often confused with LNG, but there is a substantial difference between them, even though both are natural gases. First of all CNG is compressed natural gas compared to LNG which is liquefied. CNG has lower cost of production compared to LNG that has to be cooled to down first. CNG also needs more space for storage compared to LNG\(^2\).

MAGALOG Project (Marine Gas Fuel Logistics) is a European pan-Baltic sea project, doing research on how to overcome the problem regarding SOX and NOX pollution. Other targets are to develop supply chains for alternative fuels, secure fuel supply and to further the image of environmentally engaged cities, ports and ship owners.\(^3\)

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\(^1\) http://www.energy.ca.gov/lng/faq.html#100  
\(^2\) http://www.envocare.co.uk/lpg_lng_cng.htm  
1.0 CHAPTER 1 – INTRODUCTION

1.1 BACKGROUND TO RESEARCH

This paper is written as a part of a Bachelor degree in International marketing at The Norwegian School of Management and of The University of Mannheim. The project is written on behalf of Gasnor AS.

Gasnor AS is a Norwegian gas company distributing LNG and CNG to Norwegian consumers, primarily to the industry. Since Gasnor is stationed in Norway, and Norway is the fourth largest supplier of gas in the world, it gives Gasnor an advantage regarding availability of gas.

Gasnor are now planning to enter the LNG market in Lübeck, focusing on the shipping industry and the energy industry in and around Lübeck. We consider Germany as a good investment country for Gasnor because of its commitment to lower the CO² emissions. Germany is in fact one of the few European countries that over the last recent years drastically have lowered their emissions. Since one of the largest advantages from using LNG is the reduced CO² waste, we consider Germany to be an attractive country to invest in regarding LNG.

1.2 AIMS AND SCOPE

The aim with this paper is to develop a strategy that enables Gasnor to establish in the German market, and convince both the shipping industry and the energy suppliers to commercialize the concept of using LNG. By establishing a foothold in Lübeck, they hope that through a cluster effect, they will see if also other industries in and around Lübeck are interested in the same gas.

The aim of this paper is to find what Gasnor’s advantages are, and which challenges Gasnor faces when entering the market. The research objective is to do a market analysis for the attitudes towards using LNG and towards Gasnor, in particular the shipping industry and the energy suppliers stationed in Germany.

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Later in the thesis there will be given more comprehensive information on how the research has been made.

1.3 PROBLEM DEFINITION

Based on the current situation and due to the potential issues Gasnor is facing, we define the research problem as follows:

“What is the potential for Gasnor to offer LNG gas to the shipping industry and the industry in and around Lübeck?”

“What would be the key success factors for Gasnor upon entering this market, and what would be the most beneficiary entrance strategy for the company?”

1.4 Research objectives & questions

The research objectives for this paper are:

• Find out if the shipping industry is willing to use LNG, instead of heavy crude oil.
• Find out the general knowledge level of LNG and Gasnor in the shipping and energy industry
• Develop strategies that enable Gasnor to reach the defined market Segments

1.5 Research Method

We have used in-depth interviews and e-mail questionnaires as our research methods to gather primary data. We have sent out e-mails for the quantitative data collection and we did the in-depth interviews by telephone. Our sampling procedure and method include companies from all over Europe, but particularly north - German companies. The reason for interviewing companies outside of Germany is that many of the shipping companies only have sales offices in Germany, while the rest of the company is stationed in a different country.
1.6 Report structure

The report is structured in two main parts. The first four chapters consist of market research, while chapter five to eleven elaborate on the different strategies for Gasnor.

In chapter one, we elaborate on the research objectives, goals and background. In chapter two we give an introduction of the gas industry, competitors and the challenges that arise when investing in Germany. In chapter three we give an introduction about Gasnor AS and the branch in general. We will also give an introduction about the different services they provide to their customers. Chapter four explains the methodology used in a comparative study of the primary data research, and findings will be presented.

In chapter five and six we have explained and derived the external and internal analysis. In chapter seven we will sum up the analysis in a SWOT analysis, and also give some critics about the SWOT. In chapter eight and nine we explain the strategic guidelines and the strategic choice Gasnor AS should take advantage of. Chapter ten and eleven is the entrance strategy analysis and the recommended strategy. In chapter twelve we conclude the paper.
1.7 Clarifying terms and concepts

The first objective in this thesis was to first conduct a market research, by asking shipping companies if they are interested in shifting over to more environmental LNG fuelled ships. The research took place in and around Germany because of its high number of Roll on/Roll off vessels (from now called RoRo) and Roll/Roll off passenger (from now called RoPax) vessels.5

RoRo and RoPax ships are generally considered a candidate for conversion to LNG as fuel. Introduction of LNG fuelled ships is more likely to occur by building new ships equipped for this, instead of converting existing ships from

conventional fuel to LNG\(^5\). The ships normally have a 30 years economic life span, so it would take up to 40 years to change the whole fleet into LNG ships\(^6\).

The second objective was to identify the interests from the companies that own the vessels, and to see if the industry is willing to buy LNG from Gasnor. The authors did this by asking the large energy suppliers close to Lübeck.

LNG currently supplies 10% of Europe’s gas demand, and could expand to as much as 20% of Europe’s gas needs in the medium term. But in order for that to happen, the infrastructure for these terminals needs to be adjusted and hooked into European markets effectively\(^7\).

2.0 Chapter 2- The Gas Industry

2.1 The Gas industry

Germany is the fourth largest consumer of natural gas today, consuming 3.2% of the world’s total. The problem for Germany is that it does not produce anything close to their needs or consumption\(^8\). This makes Germany dependent on gas import, even though the country has increased the production of renewable energy sources in recent years\(^9\).

Germany has been an economical miracle for several years, especially in the 60’s and 70’s known as the “boom years”\(^10\). But in recent years, their economy has been suffering from a slow rise in the GDP, partly due to strict labor regulations, few economical changes in government and the recent financial crisis\(^11\).

In Europe there are only three countries that are net exporters of gas, Russia, Norway and the Netherlands. The Netherlands is expected to retain its exports level on the same track as it has done for the past 20-30 years\(^12\).

\(^5\) MAGALOG project page 3
\(^6\) http://news.bbc.co.uk/2/hi/europe/7852145.stm
\(^7\) http://internationaltradecommodities.suite101.com/article.cfm/top_natural_gas_countries
\(^9\) http://news.bbc.co.uk/2/hi/europe/1053880.stm
\(^10\) http://www.infoplease.com/ipa/A0107568.html
\(^12\) https://www.cia.gov/library/publications/the-world-factbook/rankorder/2179rank.html
Russia is planning to increase its export by approximately 40% from 2000 to 2010. There could be some problems with these ambitions, due to the current situation where many of the Central Asian countries have taken interest in diverting their gas exports to other markets with a better gas price.

Russia has the largest reserves of gas in the world. But it has not yet developed the infrastructure for their large deposit sites like the Stockman project, which will start its production in 2015.

Norway is also planning to increase its exports considerably during the next decades. One of its newest projects is the LNG-project “Snøhvit”. Since the mid 1990s, several pipelines outside the Norwegian west coast towards Europe have been developed.

Today, because of the internal demand, pipelines are also being built to transport gas to eastern Norway. Distribution of LNG by vessels and trucks is already in place and will be further expanded. The growth of gas distribution system is expected to be 8-10% in all of the EU countries, and 10-13% in the non-EU countries. In Turkey for example, the gas market is predicted to rise by more than 500%. This is because Turkey is still in the early stage of developing its gas market.

In Ukraine, it will increase by 15-20% and Russian Federation by 5-10% yearly. In Europe today, gas is being imported by all national companies because of the competition between the companies on the different national markets. The gas companies are now being integrated into all European countries.

The competitions between the companies are benefiting the large end-consumers by enabling them to directly source their gas supply from producers.

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13 http://www.gascentre.unece.org/minisitepub/uncms/FINAL%20REPORT%20UNCMS%20December%202005%20_05%2012%202005_.pdf
14 http://www.gascentre.unece.org/minisitepub/uncms/FINAL%20REPORT%20UNCMS%20December%202005%20_05%2012%202005_.pdf
2.2 Challenges of Investing in Germany

A turning point for investors should be that Germany ranks as the seventh most competitive nation in the world, according to the world economic forum. The forum states that Germany has a world-class infrastructure; which will be cost saving for the gas industry, especially for transportation and logistics. Since Gasnor at the beginner stage don’t need personnel stationed in Lübeck, it could be a highly profitable investment.

Furthermore the report states the most problematic factors for this kind of investment:\(^\text{15}\):
- Tax regulations
- Restrictive labor regulations
- Tax rates
- Inefficient government bureaucracy
- Inadequately educated workforce

In recent years Germany has come up with new legislations on cutting tax rates because of the competitiveness with their eastern European neighbors, who has much lower tax rates.\(^\text{16}\)

Tax regulation for the gas industry could be a challenge for Gasnor, according to a recent rapport, the new tax regulations may result in an increasing number of disputes between tax authorities and taxpayers. The German Business tax reform of 2008 states that there could be disputes on pricing or valuation of products from abroad and there could occur double taxation.\(^\text{17}\)

Inefficient government bureaucracy could be a huge obstacle, but according to the Global Competitiveness Index the main problems are a burden of government regulations.

\(^{15}\) http://www.weforum.org/documents/gcr0809/index.html
\(^{17}\) https://www2.eycom.ch/library/items/treuhaender_0709_damji_wolff/treuhaender_200709_damji_wolff.pdf
2.3 The number of competitors

A UN report states that Germany has the highest numbers of gas companies in Europe, consisting of 15 companies for transmission and 705 for distribution. Gasnor would be considered as a distributor since their intention is to supply the shipping industry and energy industry close to Lübeck with LNG.\(^{18}\)

Gasnor’s absolute advantage would be that they are investing in a niche market, which has not yet been fully explored. We are referring to the shipping market as a potential opening of possibilities to other entities, like the industry at starters.

Today Gasnor has no large threat of competitors in this market of supplying the shipping industry with LNG. In the energy branch it is a different story, with about 705 competitors. We believe that because of the special structure of ownership by many large oil corporations such as, StatoilHydro, Total and Shell, Gasnor has a good potential to enter the market, if that is in the owners’ interest\(^{19}\).

3.0 Chapter 3- Gasnor AS

3.0 Chapter 3- Gasnor AS

The Norwegian entrepreneur, Jon Gjedebo, founded Gasnor December 20\(^{th}\) 1989. He wanted to realize an ambitious plan to be the first company in Norway to make natural gas accessible for the industry. In order for this plan to work, massive investments were needed. Therefore Gasnor involved several large Norwegian companies within the oil and gas sector in the company. Gasnor managed to get both Hydro and Saga in on the venture, later followed by Statoil. This was the beginning of a new era in the Norwegian gas industry\(^{20}\).

In 2001 Hydro decided to sell parts of their stocks to Ruhrgas. For the development of Gasnor’s further strategy, it was important to involve their

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\(^{18}\) [www.gascentre.unece.org/minisitepub/uncms/FINAL%20REPORT%20UNCMS%20December%202005%20_05%2012%2005_.pdf](http://www.gascentre.unece.org/minisitepub/uncms/FINAL%20REPORT%20UNCMS%20December%202005%20_05%2012%2005_.pdf)

\(^{19}\) [http://www.gasnor.no/11001/Underside/1028/Side.aspx](http://www.gasnor.no/11001/Underside/1028/Side.aspx)

\(^{20}\) *Naturgas gjennom 10 år* Gasnor written by Erik Brinchman, CEO Director of Gasnor
expertise in the ownership. Since the starting years Gasnor also involved other large Oil and energy firms to be a part of their stock holdings. The reason for this was Gasnor’s ambitions of international expansion and to be more efficient in the home market.\(^2\) Gasnor’s international sales have been in exporting LNG to England and Sweden as fuel for vehicles. There are further plans of international expansions in the years to come.

Gasnor is Norway’s first and largest distributor of natural gas\(^2\). They have a yearly production capacity of 180 000 tons of gas. Their production facilities are placed in Karmøy and Kollsnes. Gasnor distribute natural gas in pipelines, as well as LNG and CNG using trailers and customized ships. LNG is distributed in tankers of 1000m\(^2\) and trailers. These factors make production and transport of natural gas robust, and the company can offer an effective deliverance on a regular basis.

Their largest competitor in Norway is Statoil Hydro, in addition to their existing production plants, Statoil Hydro have an upcoming production plant in Tjeldbergodden and a future upcoming production facility in Melkøya near Hammerfest\(^2\). In 2007 Gasnor increased their revenue from 123, 9 million NOK to 178, 4 million NOK\(^4\), which was an increase of 47%. But due to a certain problems of such a large expansion, their yearly profit shrank from 20, 2 million NOK in 2006 to -15, 4 million NOK in 2007. Their overall result in 2007 was negative, because a delayed opening of a new LNG production plant and additional costs maintaining gas delivery to their customers. But their cash holdings are currently sufficient to withstand the loss. Currently Gasnor has as healthy 19, 7% equity ratio.\(^5\) Even though they have had several small failures in the past, we believe in accordance with a fundamental analysis we have done, that the Gasnor stock will be a good investment for the future.

\(^2\) [http://web3.aftenbladet.no/lokalt/article449360.ece](http://web3.aftenbladet.no/lokalt/article449360.ece)

\(^2\) [Appendix Final MAGALOG project page 70](http://ny.gasnor.no/1005/.Side.aspx)

\(^2\) [http://webfiles.ebm.as/gasnor/Web/%C3%85rsberetning%202007.pdf](http://webfiles.ebm.as/gasnor/Web/%C3%85rsberetning%202007.pdf)

\(^2\) [http://www.hydro.com/no/Pressesenter/Nyheter/Arkiv/2001/Juni/14336/](http://www.hydro.com/no/Pressesenter/Nyheter/Arkiv/2001/Juni/14336/)
3.2 Gasnor's position in Germany today

Through the MAGALOG project, Gasnor has been doing extensive research on how to make LNG available, together with several other leading gas companies around the Baltic Sea region. There have been many obstacles in recent years due to strict regulations and high cost in establishment in many of the European countries, related to openings of LNG terminals. The MAGALOG project has given the gas companies an opening for dialog with the governments of their countries. The MAGALOG project has been positive for lobbying when it comes to lowering emission, and increasing the energy efficiency. This market research objective would contain both a market study and a technical feasibility study. It would hopefully give an extensive optimism for future investments in Germany. The project is part financed by the European Commission under the “Intelligent Europe program”26.

3.3 Vision and Mission

The company's purpose is to work for an increased use of natural gas through the purchase, sale and distribution of gas to other associated businesses. This is to participate fully or partially in other companies with similar purposes in stock or in a different way. The Industrial nation of Norway was established on the abundant access of cheap electric power. Hydroelectric power is becoming a scarce resource, and the people need to find good alternatives. Gasnor AS wants to offer Norwegian natural gas as an environmental, safe and affordable energy source for the future27.

4.0 Methodology

In this chapter the authors will go into the research objectives and elaborate on the method that has been chosen for this thesis, and why we have chosen the research method we use.

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26 http://www.eu-magalog.eu/home
27 Naturgas gjennom 10 år
4.1 The Research Process

In the research process we have used different approaches to investigate a problem. The methodology should make the reasons clear why one particular method or procedure is chosen, based on the research purpose and prior knowledge to the subject. The research can be described according to the Research Process Model (the authors have made a few modifications to the figure):

![Research Process Model](image)

**Figure 3: Research Process Model**

4.2. Research Design

The purpose of the market research is to reduce risk by getting more suited answers from the companies. The information is needed in order to obtain a better understanding of the business. Market research is therefore an important component in many marketing areas. Research design implies a description of how the entire process will be organized so the problem in question can be solved.

In this context it is particularly important to know which types of data are needed, how to collect these data, and how to analyze them. The choice of design is dependent of the knowledge about the problem in question, and what the ambitions are when it comes to analyzing and explaining the context.

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Research designs can be divided into three different designs\(^{29}\):

1. Explorative
2. Descriptive
3. Causal

This thesis will use a descriptive design in order to provide better insight into, and understanding of the subject. The Authors will do this by using web-based research and in-depth interviews by phone. The research consists of interviews of 10 energy suppliers in Germany, and a very extensive web based questionnaire with 40 questions to 30 shipping companies.

Descriptive design\(^{30}\) is used when the analyzer has a formative understanding of the problem area. The purpose with descriptive design is to describe the situation in a certain area. That could be the level of a simple variable or the connection between two or more variables one wants to find.

The authors will primarily base the research on published data, such as secondary data and primary data gathered by the web based questionnaires with key personnel in the energy industry and the shipping industries in Germany.

Explorative design\(^{31}\) is used when the analyzer has little information or understanding of the problem area. The goal of the survey can initially be to understand and interpret the current phenomenon in the best way possible. A good start in an explorative design is to determine whether there is something written on the topic (literature studies), and whether it is collected by others (secondary data). Often, it will also be applicable with certain forms of their own data (primary data).

There are three main techniques of data collection when it comes to descriptive design\(^{32}\):

- Questionnaire data research
- Observation
- The diary method

In an explorative design there are two types of main techniques for data collection: Focus groups and individual depth interviews. In this research the authors have used an extensive web based questionnaire with 40 questions to 30 shipping companies and ten individual depth interviews of energy suppliers in Germany, by phone.

Gasnor is today in a position where they have sufficient knowledge about the needs of the market, but lack the satisfying knowledge of the demand and attitude of the potential customers. Based on the findings, we will develop a strategy that can be used in Gasnor’s work towards entering the German market.

4.3 Quantitative and Qualitative Research Strategy

Market research information can be classified as quantitative or qualitative. With quantitative data, calculation and measurements are important, and the research requires some level of accuracy – whereas qualitative information emphasize on “understanding” rather than measurement and thoroughness is an important part of the research.

This thesis will be based on the quantitative and qualitative research method. Qualitative research is used to understand a question of the type “what?”, “Why?” and “How?”, but it cannot give an answer on the question “How many?” It is all about understanding, then measuring when qualitative techniques are used. In a practical market analysis one would often use a qualitative research technique. Quantitative research is often an iterative process whereby evidence is evaluated, theories and hypotheses are refined, technical advances are made. This technique is normal when you are introducing a new product into the market. Later on, one would use a qualitative technique because of its depth in the analysis.
4.4 Data Collection

There are two main sources for doing a market research:

- Secondary research
- Primary research.

4.4.1 Secondary Research

Secondary data is information we collect in order to answer our questions. The research involves finding data that is already available. We always have to consider the reliability and validity of the one or the other data type. Secondary research is often seen as a cheap and fast way of collecting data. An example is collecting the information through the Internet.

An important rule of secondary data is to always note the reference of the data. The source of any data should always be recorded, so that their accuracy can be both evaluated and if necessary, withdrawn. Information does not only need to be collected, but it should also be evaluated. This is partly a matter of making decision about the data’s validity; people are often uncritical to published data.

In this thesis we have used books, internet, articles and statistics. The internet has been used to localize the relevant industries and shipping companies of interest, in addition, the authors have received contact information about the industry from Gasnor.

4.4.2 Primary Research

Primary research is all about collecting new information through market surveys, telephone questionnaires, focus groups etc. This research is based on direct contact with the target group, which in this case consists of the shipping industry and the energy industry which are potential users of an LNG terminal in Lübeck.

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4.4.3 Web based solutions

We used the program Confirm-it to create our web based questionnaire. Before sending out the questionnaires, we phoned the respondents to inform them about our research. The answers from this research gave us descriptive answers about the shipping industries awareness and knowledge about LNG and Gasnor.

Advantages for using web based solutions:

• Cheap
• Respondent can choose place and time
• There are many possibilities to adapt to the interview
• One is not dependent on being physically together with the interviewer

Disadvantages on using web based solutions:

• It is easy to give up or cancel the questionnaire
• Virus programs such as spam filters can prevent the questionnaire from reaching its respondent

4.5.1 Key Personnel in the shipping industry

We used an extensive web based questioner with the key personnel in the shipping industries. A descriptive design was pursued in the research. The secondary information about Gasnor’s ambitions in Germany was good, but there was very little information about the shipping industries attitudes regarding LNG as a fuel source. Since Gasnor is the first to enter this new market, we conducted a quantitative questioner. The interview questions are described in appendix 1.

Many of the respondents were familiar with LNG and the benefits involved from the use of it. But only one in thirty actually uses LNG as a fuel source today. But most of the companies said that they would consider usage of LNG in the future, and that they knew about the reductions and less maintenance costs of using it.

When asked about their knowledge about Gasnor AS, very few had heard about them. But they did have a general good impression about Norwegian oil and gas suppliers.
On the question regarding the obstacles for changing from crude oil to LNG, many companies stressed that less restrictive laws, price of new ships, better infrastructure, tax breaks and availability of LNG was the biggest obstacles for change. The significance of LNG in five years from now would in their minds increase drastically.

All the companies had an environmental friendly profile on the agenda, and most of the companies confirmed that reducing CO\textsuperscript{2} emissions was a high priority. Also, reducing fuel and maintenance costs was an important factor for most companies.

The authors also collected more general information about the companies; The average number of ships they had was 20, most of the companies owned their own ships, the average ages for the ships were 10 years and they would in average purchase a new ship every 3, 5 years.

Satisfaction when it came to fuel price was very good, but when asked about fuel efficiency, most of the companies said they could do better.

4.6 In-depth interviews

We have pursued a descriptive questionnaire as well. The only difference here is that the interviews were made by phone. Since there are several transmission energy companies in Germany, and the research was qualitative, the authors contacted the largest firms by phone to hear about their knowledge and interest of LNG. The companies were informed by e-mail about the upcoming call. The questionnaire was also sent by mail in forehand some days ahead, so the companies could prepare to give the authors a more precise and detailed answer.

4.7 Key Personnel in the Energy companies

The interviews were conducted with many of Gasnor`s owners and companies affiliated with Gasnor. There were problems that occurred when plotting who to ask regarding relevance for our survey. The dilemma was resolved by asking the
large energy companies, because most industries do not run directly on gas or LNG. They import their energy needs from distributors. The authors therefore found it relevant to ask the large energy corporations about their needs, knowledge and awareness concerning LNG.

Since most of the companies were affiliated to Gasnor in one way or another, all were aware of Gasnor. All were aware of the benefits that derives from using LNG, but said that the lack of infrastructure and governmental incentives as being the biggest obstacles for investment in LNG. All the companies confirmed that they had an environmental friendly profile, but were very reluctant to say what they did to increase their environmental profile.

Most of the companies had a good impression about Norwegian oil and gas companies, and saw them as very professional and easy to work with. A few of the managers said that it was not relevant what region or country they bought the gas from. This was because the price was more important than the reliability of gas imports. All the companies were happy with today’s energy prices, since the financial crisis has occurred; prices have decreased drastically on all raw materials. It is important to mention that some questions in the questionnaire were not answered by everyone since the respondent did not know the answer, or could not answer due to company policies.

5.0 Internal analysis

We have in this part of the paper made an internal analysis, by using parts of the SWOT35, in order to cover the strengths and weaknesses within Gasnor. The SWOT-analysis is explained after the internal analysis. Furthermore we did use the good export circle, in order to further make an image of the internal structure in Gasnor. But nevertheless we have started the internal analysis with the characteristics for a born global.

35 Kotler and Keller 2004 s.52-54
5.1. Born global

A born global is defined as a company that is suited for the international market. These types of companies often operates in high growth markets, where the companies need to maintain their global position or expand to the international area, in order to still manage to be competitive. If not, other domestic companies can pass them and they will lose the advantage.

Characterization of a born global is:

- A company with less financial and other resources
- They are established by technology – and market oriented people that have a significant international contractor drift
- They are established because they have a new product or an innovation
- The innovation are often based on advanced technology, diverts design, high quality, etc
- The internationalization is mostly thoroughly started with utilization of the market relations
- They use advanced communication technology to reach their goals

That is why born global companies are tending to be found in niche markets with either a new use of a technology or a product.

We have therefore chosen to characterize Gasnor as a born global. Gasnor’s product is a rather advanced product, and few companies in Norway are producing LNG at the moment. Given Gasnor choice to wait with the globalization they will stand the risk of losing its competitive advantage, and lose out on the needed impulses which they need in order to maintain their market position in the Norwegian market. Today there are new gas companies in Norway that are deriving, and will be ready for the opportunity.

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36 Solberg, Internasjonal markedsføring 2006 p131
5.2. The good export circle

We have in this part of the assignment used the good export circle (C. A. Solberg) to find out how well Gasnor are prepared for their internationalization. In order for a company to go global the internal infrastructure need to be sharpened for it. By using the model we will get an illustration whether or not Gasnor is ready for the globalization.

In order to fulfill the good export circle there are three main factors that need to be covered. The three factors are consisting of competence, attitude and embodiment, and the company has to develop them as a step-by-step process. This meaning that companies that are beginners or new in the market are faced with difficult challenges since they do not have enough knowledge and information about the issue. But there are also other circumstances which are of the operating sort, and this can make their strategy choices limited. More advanced companies get more options since they do have a deeper insight within the international activity and attitude towards the internationalization and they are more sufficient developed, and it is anchored in the whole company structure.

Companies at the highest level use the whole world as their work field, and they only have a fraction of its industry in the home market. When a company is at this level they need to adjust themselves to the local market, and make sure that they take good care of the advantages that is offered by the local markets.

The three pillars that need to be covered by Gasnor are attitude, competence and embodiment. Under these main points we find several underlying points. The authors will start off with attitude.

. The underlying points are as follow:

- Market orientation
- Risk evaluation,
- Cultural understanding
- Possibility orientation

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Solberg, Internasjonal markedsføring 2006 p144
These are all factors that a company should pursue in order to get a better understanding of how the industry is functioning, and how it is differencing from their home market. It is also important for the company to make the right decision regarding risk which is done by evaluating the market. They should also be prepared for what kind of possibilities they most likely will bump into on their way to the international market.

Therefore it will be important for a company to study the country’s culture before entering it, this is done in order for the company to avoid new beginners errors which often occurs from cultural misunderstandings. They also need to know what the market demands are, in order to provide the country with the requested product.

Gasnor is at this point in-between the beginner stage and the more advanced stage. Since they are already working together with Ruhrgas which is placed in Lübeck, it can make it easier for them when they are ready to go heavier into the German market. They have conducted a market research that has given them some introduction for what is expected from them when they enter the global market.

5.2.1. Attitudes

When a company is going global it is important to have the right attitude. Meaning that the company should be market oriented, perform risk evaluation, strive for cultural understanding and at last they should be possibility oriented. Gasnor is showing willingness to understand what is needed from them when they prepare for globalization.

They have already participated in the conduction of the MAGALOG project; this was done together with other companies on the same search, indicating that they are prepared to use resources in order to cover the market situation, and the possibilities that are in the regions they are planning to go into. In this project they got the confirmation they needed: the market needs LNG. This indicates that they are searching the risk aspects in the specific region, which are the northern parts.

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38 Solberg, Internasjonal markedsføring 2006 p145
of Germany. Therefore the risk of an entrance in the German market will be reduced.

The cultural aspects are partly covered due to the German company Ruhrgas participation on the owner side in the company. Hopefully Gasnor can benefit from their knowledge and expertise of the German market?

5.2.2. Competence

In this part we will derive Gasnor’s competence. Under competence there are five underlying points such as

- Market analysis
- Customers orientated
- Product politics
- High price
- Close collaboration with the companies partners abroad

When a company considers expansion to the international market it will be vital to make sure that the companies that the company is working together with have the same goals as themselves, therefore it is essential to make sure that every part gets something out of the collaboration.

Therefore it is critical to have a good competence within the company due to the internationalization. Because of that we have delved into the most important aspects the company need to cover, they have to do a market analysis, and they got to have a close collaboration with their partners, high price and a customer’s production politics.

We reckon that Gasnor has done a good job in this area, as they participated on the MAGALOG-project, which is collaboration between other companies similar to themselves. By doing the MAGALOG project Gasnor made a good market analysis, but they will need to investigate some more. When we conducted the questionnaire we found out that it is another point that Gasnor need to improve upon, this will be further elaborated as we continue the paper. But through the

39 Solberg, Internasjonal markedsføring 2006 p145
MAGALOG project they created a network with other international firms, which had the same goals and purpose as Gasnor due to the market analysis.

Through the MAGALOG project Gasnor and their collaborators found out what would be needed if the LNG station would work in a suitable way. The only place that had a sufficient port was Bergen.\(^5\)

The project also conducted a report for the ports in Northern Europe stating where the ports were big enough in order to have a good starting point to develop LNG bunker suppliers.

Gasnor are aware of what they have to do when they go global. Within the organization they will continue to develop Gasnor’s competence through conscious efforts on getting their employees to stay in the company. By getting the employees to stay in the company they will get the needed stability and the coworkers will develop a deeper insight of the market.

They will continue to develop the organization in accordance with the growth of the company. Gasnor will work hard to make the company an attractive workplace. This will lead to more satisfied workers, and it will make it easier for Gasnor to maintain the expertise, which is necessary to be a competitive company. More so it will make Gasnor a more attractive workplace in form of attracting new and needed personnel that have the required knowledge.

Gasnor is also taking the internal environment seriously; this was proved by the low absence of employees. In 2007 the absence was as low as 1.7%, which proves the fact that Gasnor’s human resources department is a well functioning organ\(^{40}\). The internal environment was confirmed when the employees had an internal environment questionnaire in 2007\(^{41}\). As a result of this we have concluded that the internal environment is up to date, and ready for the internationalization.

Gasnor do offer LNG to its customers so they can lower the pollution from their ships and the industry. Their transport and industry is letting out less SO\(^2\), NOx

\(^{40}\) http://gasnor.no/

\(^{41}\) http://webfiles.ebm.as/gasnor/Web/%C3%85rsberetning%202007.pdf
particles and CO\textsuperscript{2} at stationed customers and within the transport section\textsuperscript{42}. But they are always trying to get better at this area. This indicates that they, as they want their customers to be, are engaged in being seen as an environmental company. Helping Gasnor to continue on the environmental friendly profile they use as a reason to shift from crude oil over to the more environment friendly LNG.

5.2.3. Embodiment

For the internationalization to go as easy, and with as good result as possible, it should be a mutual agreement throughout the whole company. Meaning both top management and the board should have the same goals if the internationalization should be as successful as possible.

By being involved in the MAGALOG project, top management in Gasnor shows willingness to do what it takes to manage the challenges that the company will meet when going global. The board in Gasnor is divided between members from the companies that have stocks shear in Gasnor. But having in mind that Gasnor together with other companies has done the MAGALOG project, we reckon that it is a mutual agreement throughout the whole company.

6.0 External analysis

In the external analysis we will give information on how the research was made and then thoroughly go through the external factors that can have an effect on Gasnor.

6.1. Secondary research

In our secondary research, we have used web pages for the players on the German gas-market as well as the Nordic gas market. Although few Norwegian companies are selling gas on the German market, we were able to find much of the information we needed to conduct the External analysis in our secondary research.

\textsuperscript{42} http://gasnor.no/
Before strategies can be developed we have to gain a better insight in the environment Gasnor faces, and their opportunities as well as their threats. To look at the external factors that influence Gasnor, we will do an external analysis. In order to do this analysis we will use the following models to help us shine a light on various topics regarding external factors; PESTEL-Analysis and Porters Five Forces.

6.2. PESTEL-Analysis

To help us get a better insight in the macroeconomic factors that will, or can affect Gasnor, the PESTEL-analysis is a very suiting tool\(^{43}\). We can divide the PESTEL-analysis in to two parts; The Political, economic, Technical and legal factors can affect the LNG-gas industry directly, while socio-cultural and environmental factors on the other hand, are indirect factors.\(^{44}\)

\(^{43}\) http://www.improvementnetwork.gov.uk/imp/aio/1033478

\(^{44}\) http://www.improvementnetwork.gov.uk/imp/aio/1033478
6.2.1. Political risks

When operating on the German B2B market for LNG-gas products, we have to be aware of the different political factors that influence this market. There are two major institutions that affect the Gas market; The German government and The European Union\(^45\).

The German government issues taxes, import restrictions, custom and oil and gas policy. The European Union sets import restrictions on the EU as a whole, and therefore also determines the limits in the import rules for Germany. The EU rules on taxation are very difficult to alter due to the requirement of unanimity on the Council of Ministers on matters concerning tax harmonization\(^46\).

We will look more into the German taxation in the end of this analysis. The basic cornerstones of the German democracy is the primacy of the basic rights, the definition of the principles of a democratic and social federal state, and the foundation of a supreme court that watches over adherence to the constitution\(^47\).

The German president is Horst Köhler, and he assumed office on July 1st 2004. The German chancellor is currently Angela Merkel who also assumed office on July 1st 2004. Both of these politicians represent Germany’s largest political party, CDU, which usually has the biggest support in national elections and also in the Länder. Although Köhler sympathize with CDU, he cannot be a member of a political party as long as he holds the title as President. Elections are held every 5 years\(^48\). Germany’s political risks are very low and highly stable\(^49\). Like all other nations, Germany does have companies and industries it protects, such as armaments, railroad, and utilities, but is generally considered a safe environment for international business and investment. It is a leading member of the European

\(^{45}\) http://www.gtaicom/uploads/media/Kapitel6_bg_IIG_080617_HS.pdf

\(^{46}\) http://www.gtaicom/uploads/media/Kapitel6_bg_IIG_080617_HS.pdf

\(^{47}\) http://www.germanyandafrica.diplo.de/Vertretung/pretoria__dz/en/07__P/Politics__People/07__1__Politics.html

\(^{48}\) http://www.economicexpert.com/a/Horst:Kohler.htm

\(^{49}\) http://www.frm-united.com/Political-stability.35.0.html?&L=1
Union as well as has the largest economy within the European Union. Its political system is open to international business and strives to find ways in which to attract new businesses and investors, such as recently lowering its corporate profit taxes.

6.2.2. Economical Factors

Germany is an affluent and technologically powerful economy - the fourth largest in the world. Germany’s Gross Domestic Product was in 2008 EUR 2,492 billion (in current prices) Of this the industry & construction represented 30.4 percent, the exports: EUR 994.9 billion and the imports: EUR 818.6 billion. Germany showed considerable improvement in 2007 with 2.6% growth, but after the effects of the financial crisis started to show, German economic growth slowed to 1.3 percent in 2008\(^50\). The unemployment rate has also felt the effect from the financial crisis. According to the Nuremberg-based labor office, the nation's dole queues swelled by a seasonally adjusted 40,000 in the first month of 2009 to 3.311 million after the numbers out of work rose by 56,000 in January. This pushed the unemployment rate up to 7.9 percent from 7.8 percent\(^51\). Meanwhile, the Norwegian economy is also continuing its downward fluctuation, maintaining the Norwegian currency weak the euro. This is good news for Norwegian export to for example Germany\(^52\).

6.2.3. Socio – Cultural Factors

The German population consists of various nationalities. The largest ethnic groups are of course Germans but also a large number of Turks. Out of the population of 82,060,000, 91.5% is Germans, the Turkish group counts 2.4% of the total population and other ethnic groups account for 6.1% (made up largely of Greek, Italian, Polish, Russian, Serbo-Croatian, Spanish)\(^53\). The main spoken language is German, and due to the large number of Turkish inhabitants almost 2 million


\(^51\) [http://www.dw-world.de/dw/article/0,,4057582,00.html](http://www.dw-world.de/dw/article/0,,4057582,00.html)

\(^52\) [http://e24.no/makro-og-politikk/article3087499.ece](http://e24.no/makro-og-politikk/article3087499.ece)

people also speak Turkish. But the main spoken language in business is German and English. Although most of the Germans also speak English, you will be better of speaking German when talking business if you got the vocabulary.

Social justice and well-being are pillars of German life. To ensure a well functioned welfare state, Germany use 27.6 percent of GDP on public welfare spending on health, retirement, accident, long-term care, and unemployment insurance\(^\text{54}\). The high percentage used on welfare has two main reasons; the aging population and the increase in unemployment.

The German population keeps getting older every year, and in 2008 the median age in Germany was 43.4 years (male: 42.2 years, female: 44.7 years)\(^\text{55}\). As mentioned earlier, the German unemployment rate is increasing. In 2009 it grew with 56,000 just in January and now account for 3.311 million unemployed Germans. As in the world in general, Germans are now more focused on the environment. The German usage of renewable energy sources does not only help on the people’s well being for doing the environment a favor, it also creates jobs. There are now nearly 250,000 Germans employed in the renewable-energy sector, and renewable-energy exports have boomed\(^\text{56}\).

6.2.4. Technological Forces

The technical aspect of the environmental influences concerns the production method and distribution systems. Technological forces influence organizations in several ways. A technological innovation can have a sudden and dramatic effect on the environment of a firm. First, technological developments can significantly alter the demand for an organization or industry's products or services. When it comes to technological innovations, companies operating in Germany are in good hands. In fact, 35 percent of Germany's labor force work as scientists and technicians. In addition, German companies, universities, and the government annually devote EUR 55.7 billion to R&D. As a result, Germany ranks second in the annual number of registered patents. According to the OECD, Germany is

\(^{54}\) [http://www.gtai.com/homepage/germany-at-a-glance/facts-figures/our-way-of-life/]

\(^{55}\) [http://indexmundi.com/germany/median_age.html]

\(^{56}\) [http://www.time.com/time/specials/2007/article/0,28804,1730759_1734222_1734213,00.html]
among the world's foremost knowledge based economies when it comes to human resources in science and technology\textsuperscript{57}.

6.2.5. Environmental factors

To look further into the environmental effects on the company, we have to get insight in both the environment itself and how the environment around perceives the company. There are no doubts about the environmental benefits from using LNG-gas. An example of the LNG-gas’ recognition in the shipping industry is the MAGALOG project. This project is aimed at reducing toxic waste by using LNG as fuel in shipping in Europe, with main focus at the East Sea Several European countries participate in this project, and Gasnor is the main coordinator. MAGALOG is partly financed by the EU through the program “intelligent Energy”. Germany is a country that is fighting for a better environment. The country and its politicians have showed this in several ways. For instance, the total greenhouse-gas emissions declined 18% between 1990 and 2005. According to an article in Times Magazine\textsuperscript{58}, this change was less about innovation than about implementation. New taxes on fuel discouraged the petroleum use, laws pushed waste reduction and recycling and subsidies encouraged people to take use of solar panels in their homes. With the increasing focus on environment and climate, Gasnor’s participation in projects like the MAGALOG Project and the fact that Gasnor have an ISO environment certificate will have a very positive influence on the company’s surroundings perception of Gasnor.

6.2.6. Legal Factors\textsuperscript{59}

There are not many legal obstacles for a Norwegian company wishing to expand on the German market. There are several forms of organizations but the most common form for a business that want to start in Germany for the first time is limited-liability company (GmbH). To start a GmbH you have to fulfill certain criteria such as minimum share capita and organizational structure.

\textsuperscript{57}http://www.gtai.com/homepage/germany-at-a-glance/facts-figures/our-economy/

\textsuperscript{58}http://www.time.com/time/specials/2007/article/0,28804,1730759_1734222_1734213,00.html

\textsuperscript{59}http://www.gtai.com/homepage/investment-guide-to-germany/the-legal-framework/
All companies doing business in Germany have to follow federal and state laws. The ministers responsible for the regulation of industry and commerce are the following: Ministries of Economic Affairs, Justice, Social Affairs and Employment and Environmental Protection. A foreign company has the same rights and restrictions that apply to locally owned businesses. First and foremost a company is required to obtain a trade permit from the local trade office, which will be granted in general if the businessman or woman applying is at least 18 years of age. As in the rest of the western world, there are restrictions, and the federal government can interfere. For example, the federal government can set a price ceiling in a particular market, set regulations to prevent monopoly, prohibit agreements between companies, and interfere against discrimination or boycotts against competitors. In general the German market is quite similar to the Nordic market with a few small exceptions, and it is relatively easy to establish a firm there, at least for a European company.

6.2.7. Taxation System

The German tax system involves 118 laws, 418 exceptions, 185 forms and 96,000 policies\(^6\). The tax system in Germany has been modified an ample number of times due to political and corporate moves and as a result the system has become complex. The corporate tax was reformed in 2000 but the consequences were not up to the mark and there was a sharp decline in the tax revenue earned by the government. The corporate tax in Germany added up to a total of €23.6 billion in 2000 and €2.9 billion in 2002\(^6\). There are of course differences in the taxation between Foreign and domestic companies. The definition of a foreign company is any company that neither has a registered office nor its place of management in Germany. Foreign companies are taxable only on German source income. All foreign companies have to pay the trade tax, and the uniform rate is 25% for all taxable earnings, whether distributed or retained, and whether earned by a German company or by the German permanent establishment of a foreign company. In addition, the income distributed is subject to a withholding tax of 20%. In addition to corporation tax a solidarity surcharge of 5.5% is assessed on corporation tax. Together with the trade tax, this will result in an aggregate


\(^6\) http://www.economywatch.com/tax/germany/
average tax burden of 37 % \(^\text{62}\) (depending on the location of the business, this range from 33 % to 40 %).

6.3. Porter’s Five Forces

We used Porter’s five forces to get a better understanding of the arena Gasnor operates in. Michael Porter provided a framework that models an industry as being influenced by five forces. The strategic business manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates. The five forces that influence the industry are: threats of new entrants, threats of substitutes, bargaining powers of customers, bargaining powers of suppliers and intensity of rivalry.

6.3.1. Threat of new Entrants

We rank the threat of new entrants as very high. The reason is all the LNG companies who want to expand their LNG supply in large scale to Europe.


\(^{63}\)H.biong og E.Nes. Markedsføring på bedriftsmarkedet 2 utgave p138
Several foreign gas companies already have an outstanding pipeline network across Europe\textsuperscript{64} and will most certainly follow Gasnor into the market in Lübeck. There are also other Asian countries that cannot be excluded as new entrants.

6.3.2. Threat of substitutes

The substitutes for LNG-gas are mainly crude oil, since most ships run on oil. The threat seems higher today than it looks to be in the future. In an attempt to reduce consumption of conventional fuels, Germany has raised the taxes on petroleum products\textsuperscript{65}; it is likely that more and more ships will convert to natural gas as a fuel source in the future. When vessels have made the change from crude oil to LNG, the threat of oil as a substitute is seriously weakened. Taking into consideration those ships can run on both oil and LNG, the price becomes important. LNG has been, and still is cheaper than oil, and it is highly likely that it will stay that way in the future. Taking account of all these factors, we rank this threat as low.

6.3.3. Bargaining power of customers

Gasnor will be the first LNG-company with a LNG terminal in Lübeck. The bargaining power will be different from the shipping industry to the energy industry. Gasnor will be the sole provider of LNG from the Lübeck docks, so the shipping industry will have low bargaining power since Gasnor’s terminal will be their only option in the area. As for the energy companies\textsuperscript{66}, it is somewhat tougher competition. Some of the energy companies in Germany produce their own LNG or import from e.g. Russia \textsuperscript{(1)}. But as we know, Germany is dependent on importing most of their gas, and the energy companies are not an exception. Based in this information, we rank the bargaining power of customers low to mediocre.

\textsuperscript{64} http://www.hydrocarbons-technology.com/projects/negp/

\textsuperscript{65} http://www.commondreams.org/headlines04/1220-05.htm

\textsuperscript{66} www.RWE.de
6.3.4. Bargaining power of suppliers

The fact that Gasnor is dependent on delivery of LNG in addition to what their plants can provide strengthens the suppliers bargaining power. But on the other hand, there are a lot of suppliers around the world, and that evens out the bargaining power. We therefore rank the bargaining power of suppliers as medium.

6.3.5. Intensity of rivalry

Ships using LNG as fuel and wanting to refuel in Lübeck do not have any options at the moment. When Gasnor start their terminal, they will be the only provider of LNG. Since the energy sector has more options, the overall bargaining power of buyers is ranked as medium. The substitutes are mainly oil, but when ships convert their engines from oil to LNG, the strength of oil as a substitute is weakened. The strength of supplier bargaining power is medium. The fact that Gasnor is depended on more LNG than it can provide from their plants is evened out by the fact that there are many suppliers. The biggest influence on the rivalry is potential new entrants. There are numerous of LNG companies wanting to expand their LNG supply, and the chance is very high that other companies will follow Gasnor in doing business in Lübeck. In the future, we believe that the rivalry in Lübeck and in northern Germany will be high, but at the present time, with Gasnor probably being the sole provider of LNG, we rank the present intensity of rivalry as medium high.

7.0. SWOT

SWOT is an analysis that is a very useful tool to understand decision making for all sorts of situations in businesses and organizations67. The aim of a SWOT analysis is to identify the key internal and external factors in the company.

67 Kotler and Keller 2004 s.52-54
7.1. SWOT-Analysis Internal

The internal analysis consists of strengths and weaknesses from internal factors that give an organization certain advantages and disadvantages in meeting the needs of its target market.

Strengths refer to core competencies that give the firm an advantage in meeting the needs of its target markets. Any analysis of company strengths should be market oriented/customer focused because strengths are only meaningful when they assist the firm in meeting customer needs.

The weaknesses refer to any limitations a company faces in developing or implementing a strategy. Weaknesses should also be examined from a customer perspective because customers often perceive the weaknesses that a company cannot see.

Being market focused when analyzing strengths and weaknesses does not mean that non-market oriented strengths and weaknesses should be forgotten. Rather, it suggests that all firms should tie their strengths and weaknesses to the customer requirements. Only the strengths that relate to satisfying a customer need should be considered true core competencies.

7.2. SWOT-Analysis External

The External Analysis examines the opportunities and threats that exist in the environment. Both opportunities and threats exist independently in the firm. The way to differentiate between a strength and weakness from an opportunity or threat is to ask: Would this issue exist if the company did not exist? If the answer is yes, it should be considered external to the firm.

Opportunities refer to favorable conditions in the environment that could produce rewards for the organization if acted upon properly. That is, opportunities are situations that exist, but must be acted on if the firm wants to benefit from them.
Threats refer to conditions or barriers that may prevent the firms from reaching its objectives.\textsuperscript{68}

\textbf{7.3. Criticism of the SWOT}

The SWOT analysis has been criticized for being poorly structured and the lack of depth\textsuperscript{69}. The analysis does not give a full understanding of the challenges, and it is not detailed enough for a company to base all its decision on. Another problem is that it often can be too subjective.

\textbf{SWOT-analysis}

\begin{tabular}{|l|l|}
\hline
\textbf{Strengths} & \textbf{Weaknesses} \\
\hline
• Market leaders in Norway & • Organizational size \\
• Gasnor posses a high level of competence & • Availability \\
• Good image and reputation in Norway & • Transportation costs \\
• Stable supply & • Financial platform \\
• Proximity to raw materials & • Dependant on few sources and price setting \\
• Low emission & \\
• Environmental friendly & \\
\hline
\textbf{Opportunities} & \textbf{Threats} \\
\hline
• First mover advantage & • Competitors \\
• Market growth & • Substitutes \\
• Emissions and cost reduction & • Laws and regulations \\
• Environmental issues & • Price \\
• Political request to increase gas exports & \\
\hline
\end{tabular}

\textsuperscript{68} Kotler and Keller 2004 s.52-54

\textsuperscript{69} Kotler and Keller 2004 s.52-54
7.4. Internal analysis of strengths and weaknesses

Gasnor is today the market leader when it comes to LNG distribution in mainland Norway, with up to 90% of the market share. But in 2010 they are getting strong competition from Skangas who are doubling the production of the overall LNG compared to what Gasnor has today\(^70\).

Norway’s reputation for being a stable energy supplier is very important for the German industry and people. Norway is Germany’s second largest supplier of natural gas. Russia is the largest contributor of natural gas which has had recent gas quarrels with Ukraine\(^71\). The quarrel led to a stop of the gas supplies to Europe for almost a month, having devastating consequences for especially many eastern European countries. This is why Germany is looking towards Norway as a highly reputable and stable democratic nation for its future energy supplies. Gasnor appears here as a well reputable company in Norway, not to mention that many of Gasnor owners are large international oil and gas corporations such as StatoilHydro, Exxon Mobile and Total. This ownership could be seen both as strength and a weakness, since in the strength lays the chance for Gasnor to get advantages in expanding to the international arena, with the help of the large corporations. Through this corporation they could get knowledge of the LNG market abroad, but the weakness or problem is if the large oil corporations see it in their interest to create a competitor.

The strength lies in their proximity to the LNG. Since Norway has a large reserve of natural gas, Gasnor have the potential to hopefully land many contracts in the future due to the natural gas giving them good availability of LNG. The low emission output of using LNG, as a fuel source is also strength for Gasnor giving them an environmental profile.

Weaknesses are the organizational size of Gasnor and the future availability of LNG. Gasnor is very small compared to many of the large oil corporations in Germany, and being small has many challenges. Gasnor is also only a distributor and does not have the large margins of profit or the financial platform like the

\(^{71}\) http://www.eia.doe.gov/emeu/cabs/Norway/NaturalGas.html
large oil transmission (corporations) companies have. In the future, demand of LNG could increase by 100%. Today LNG supplies 7% of the Germany’s energy needs. But since LNG is not a renewable energy, supply and demand still stands as the market controller. If the demand increases, a problem that will occur is if there is enough LNG to supply the consumers with.

Other weaknesses is that Gasnor only owns three small production plants in Norway with LNG, this makes them dependant on few loading sights, and gives them less bargaining power when it comes to price with their main suppliers of the natural gas. With less bargaining power we reckon that they miss out of a larger volume discount compared to their larger future competitors like Skangass.

7.5. External analysis of opportunities and threats

The future opportunity lies in the market growth of LNG, as we mentioned above. Above we can see a projection for the future energy needs.

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72 http://news.bbc.co.uk/2/hi/europe/7852145.stm
From 2010-2030 energy demand is supposed to increase by about 35, 7 %. This is a good enlightenment for further investments in Germany. Lowering emissions and at the same time reducing costs is also an opportunity in the sense it’s a good argument to convince the shipping industry to switch over to a more environmentally friendly fuel and energy source. By using LNG the ships as well as the energy companies also save costs on maintenance. When Germany has established their first LNG terminal, Gasnor could have the first mover’s advantage if they take advantage of this opportunity.

Another major opportunity is the political request from German chancellor Angela Merkel to increase the exports of the gas deliverance. Today Norway supplies is approximately 30% of Germany’s total gas imports, but the problem is that per today Norway is exporting at full capacity through the pipelines. So the gas has to be transported by other means, like shipping or trucks.

One of the main threats is the price of the LNG. Since the oil and gas prices in recent time have been unstable, a major problem is to secure stable and affordable gas prices. If Gasnor would like to promote LNG to the shipping industry, perhaps the main questions this industry will think about are, if they could access cheap fuel.

Even though keeping an environmental profile is important for many companies, low costs are something most companies will have as a priority when choosing LNG. Most of the companies answered that high costs were one of the threats when it comes to changing from oil to LNG in the questionnaire.

Our findings from Porters 5 forces showed few competitors when it comes to selling LNG to the shipping industry. There can be several reasons for this, But the main reason is that most of ships today are running on crude oil.

In the energy sector Gasnor will only be supplying the large energy companies with LNG. The gas will be stored in an 8000 CUBIC3 ton tank in Lübeck. This segment does already have, to some extent, access to LNG, either from their own...
production or from for example Russia. But Gasnor will have an advantage because of the LNG tank they will set up in Lübeck. This will make the transportation costs for the local energy companies around Lübeck to go down.

Gasnor has caught an early eye on the potential of selling LNG to both the shipping sector and the gas sector, and have therefore started a study on confronting the port emission problems in Europe through the MAGALOG project. Their solution to solve this problem is by introducing a clean and efficient fuel, LNG. Substitutes to LNG is also seen to be another threat, but since LNG is a clean fuel and the international community is focusing on emission and clean fuel, we believe that LNG is going to stay as a high priority fuel source. Substitutes to LNG are nuclear power, crude oil and renewable energy like solar, wind and hydroelectric power.

Strict laws and regulation is also seen as a huge obstacle or a threat to further investment for the German infrastructure. Per today Germany has no LNG terminals, but Ruhrgas is planning to invest in a LNG terminal in Wilhmeshaven by 2010.¹ The costs connected to investing in a LNG terminal in Germany amounts to 500 million Euros. The strict regulations have prevented gas companies from investing in these critical LNG infrastructures in the past, and will do so also in the future.²

8.0. Strategic guidelines

By answering the strategic problem definition and how to fulfill the critical success factors, based on findings and relevant theory, we will come up with the strategic guidelines. Findings from the SWOT-analysis will be the most important tool to answer these tasks.

8.1. Strategic Problem Definition

Based on our findings about Gasnor and the Germany Gas industry from our SWOT- analysis, we have defined the Strategic Problem Definition as following:
“How can Gasnor use their knowledge about LNG and the benefits that arises from using it, to reach the goal of exporting LNG to Germany, and at the same time survive the future competition?”

8.2. Critical Success Factors

Critical Success Factors (CSF) is factors that it is necessary for Gasnor to fulfill in order to cope with the competitive forces within the Gas industry. It is important to identify the factors that are critical to achieve success, we have identified the following CSF based on the SWOT-analysis and the Strategic Problem Definition (SPD);

- Increase visibility in the German market
- Communicate Advantages
- Diversification
- Build Network

8.2.1. Increase visibility in the German market

Gasnor is a rather small company measured up against the world stock and therefore it is crucial to become more visible in the market, and thereby achieve stronger brand awareness.

Gasnor has already started to become more visible as an effect of the MAGALOG project, which is rather well known within the gas sector. But in order to become “top of mind” in all their segments, it will be essential to build visibility towards the shipping industry as a whole, and the German energy industry.

From the questionnaires, it became clear that the general knowledge in both industries is low. This are showing that Gasnor has a job to do regarding putting themselves on the gas industry’s map. Ways to do this is to show themselves at industry exhibitions both for energy companies and for the shipping industry.

Gasnor should also use the fact that they have several strong well-known partners which shows the industry that they are a reliable player in the market.
8.2.2. Communicate Advantages

Gasnor must also be able to convince the companies that they still are on the fence regarding the use of LNG. It is crucial to show them the striking arguments Gasnor have for the use of LNG. Not only why it is beneficial now, but also what it can mean for companies in the future.

Gasnor are already doing a good job on this field through their webpage, both by presenting info about LNG and its benefits, and by releasing press releases about the market and important contracts.

Finally, Gasnor can also use Norway’s good reputation as an oil and gas nation to their benefit by stressing the fact that they come from Norway and holds the same values as Norwegian companies. The fact that Norway is a rich nation and the stabile political situation in the country implies that Norwegian companies are stabile and reliable business partners.

8.2.3. Diversification

The third critical success factor is diversification and it is important both in short term and in long term. The main reason to diversify the company from others is to gain attention and show that the company can offer more than what their competitors are able to. An important aspect of being different is to be innovative.
By involving themselves in the MAGALOG project and being a partner with Höegh LNG, which is a highly innovative provider of floating LNG services Gasnor has shown that they want to be in front when it comes to innovation in the Gas market73.
It is of utter importance for Gasnor as a small company to follow the innovative trends and strive to be better at all times in order to stay afloat when they meet competition from larger international companies.

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73http://www.hoegh.com/lng/
8.2.4. Build network

The last success factor Gasnor need to fulfill in order to establish and survive in Germany, is to build networks. As mentioned under the point “visibility” a large number of the companies that we have questioned, did not know, or knew little about Gasnor. This can again contribute to make it more difficult for Gasnor to obtain good networks.

If Gasnor does a good job by increasing visibility, it will be easier to build a network since companies then will have the knowledge about Gasnor. Having a large network will make it easier to gain contracts with the shipping–and energy companies, and a solid network can be very helpful in the future when new competitors enter the market.

In addition to a network regarding the shipping–and energy industry around Lübeck, it is also very important to have a solid network with distributors. Since Gasnor have been dependent on importing LNG, they already have a distributor-network. But for future expansion, a larger network might be needed.

9.0. Strategy choice

When making a choice of strategy there are several factors to keep in mind. We have in this thesis taken use of the model; “Model for strategy choices in international markets combined with “the nine windows”. We will go through the factors in the model and finally use the findings to place Gasnor in the model “nine windows”.

9.1. Model for strategy choice

The model for strategy choice is a tool used to look at important factors that play a role when a company goes global. The model shows how a company builds up an international culture both on the internal and external parts. And it is a guide for what kind of strategic choices the company should choose. It is split in 2 parts, the Business’ Globalism and the business’ internationalization ability.

9.2. The Business’ Globalism

International structure and globalization forces are the two factors that decide the business globalism. The business globalism is again one of two factors in the analysis tool called “The 9 windows” which we will come back to in the end of this chapter. International competition structure is the first step on the way to help us make a strategic choice for Gasnor.

9.2.1. The international competition structure

One way to analyze the international competition structure is to identify the biggest competitors in Gasnor’s industry, and then position them regarding their international commitment and their organizational strength. In the market Gasnor participates it is a few major players, and several smaller companies. But in the market Gasnor now is entering, there are only indirect competitors, since Gasnor

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74 Solberg internasjonal markedsføring 2006
75 Solberg internasjonal markedsføring 2006 p147
76 Solberg internasjonal markedsføring 2006 p 153
will be the sole provider of LNG in Lübeck. But if Gasnor were to seek other areas to compete, they might find harder competition there. Since Gasnor is a rather small company, it should avoid the areas where the largest players are, therefore Lübeck is perfect. To conclude, Gasnor have the ability to become international, but should find markets where it can handle the competition.

9.2.2. Globalization Forces

The second tool that helps decides the globalization in the industry is the globalization forces. There are especially three forces that influence the globalization in the industry:

- Protectionist regulations, i.e. local subsidiaries to local industry
- Nationalistic attitudes from buyer – buyer only buy domestic products
- Different preferences/traditions

All in all, forces that makes the country/the buyer work against new, foreign companies. The two first points will probably not be a problem for Gasnor. Germany has to import most of their Natural gas, and therefore there are no reasons to be protectionist against foreign gas companies. Since there is little natural gas in Germany, buyers cannot have nationalistic attitudes either, at least not if they want the gas they need. The only force that can affect the globalization is that buyers might have different preferences and traditions. Buyers might prefer to get their gas by pipelines, or they might have long lasting relationships with another gas deliverer and prefer to continue that relationship, even though a competitor can offer the same product cheaper and faster. But all in all, the market of gas in Germany is highly global with few obstacles.

9.3. The business’ internationalization ability

The business’ internationalization ability is the internal part of the model. It is affected by the following three factors:

- Internal business culture
- Market share in reference market
- Market network

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77 Solberg internasjonal markedsføring 2006 p 151
78 Solberg internasjonal markedsføring 2006 p 152
9.3.1. International business culture

A company’s business culture can be defined as an attitude within the company, and the experiences the company has from earlier. To find out more about the international business culture we have used the good export circle from Solberg. By using this model we became able to analyze the company’s international business culture, and the important factors within this model. For example what size the company are, how the language knowledge is, and the top management’s experiences from international business.

9.3.2. Market share in the reference market

At this point Gasnor is in-between the beginner stage and a more advanced stage. Meaning that they already are working together with parts of the industry in Lübeck, and it can make it easier for them when they are ready to go heavier into the German market. They have conducted a market research that has given them some introduction to what it means to be a global company Gasnor has a 100 km pipeline web in the southern parts of Norway. Further the company owns 13 CNG trailers, 14 LNG trailers and has the disposal of 1 LNG tank ship, in addition to approximately 30 LNG terminals. Gasnor’s main market in Norway is at the west coast of Norway, to be more specific it is in Karmøy, but they do have the rest of Norway as a market.

They are participating on the owner side in the Bergen based company “Naturligg vest”, the Trondheim based company ”Naturligg Trøndelag” and “Naturligg Grenland” in Porsgrunn in the eastern part of Norway.

When Gasnor have what we can call a market leading position in the Norwegian market, they can benefit from this since they do not have to concentrate as much on the reference market, and instead use time on the expansion to the international market and firstly Germany.

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79 Solberg internasjonal markedsføring 2006 p 153
80 Solberg internasjonal markedsføring 2006 p 153
81 www.gasnor.no
82 http://www.irogaland.no/ir/public/openIndex/view/page1.html?ARTICLE_ID=1087383360890
This brings us on to the international networks, which will make the whole process of internationalization easier for Gasnor. A high market share in the home market can be used as an indication that the product they offer is of high quality, and that customers are satisfied with their product. By having a market leading possession in Norway, they are in position to demand a higher price for their product.

9.3.3. Market Network

We have in this part of the assignment explained Gasnor’s market network and why it is important for them to have it, and it should be a well function international market network. When a company has a well functioning market network, it will give them the possibility to make use of their contact networks knowledge and experience.

The information that a company can gain from an international network, will together with trust, loyalty and mutual norm standard not only stimulate the company’s ability to develop new and better global strategies, but it will also give the company and its employer a motivating intensive to become more engaged to get a deeper knowledge of the international market.

Gasnor is owned by Norway’s biggest oil company (Statoil/Hydro). They have a 40% share hold in the company, we think that since they have that many stocks in the company, it is unavoidable for Gasnor not to take advantage of it. It can also give Gasnor the advantage of taking Statoil/Hydro’s clients and partners on their way to international success.

Another of Gasnor’s owner is Ruhrgas, one of the biggest German energy companies will probably help Gasnor to get an insight in the German market. Ruhrgas is the same company that Gasnor possibly will share the terminal that will be build in Lübeck if everything goes as planned.

Gasnor participated in the MAGALOG project together with a few other companies and this gave them knowledge about similar companies.
9.4. Nine Windows\textsuperscript{83}

So far in this paper we have analyzed both the globalism of the industry and the industry’s internationalization capability. As mentioned earlier, these are two factors that are important for the model “the 9 windows”. The 9 windows give us an indication of what kind of strategies Gasnor should choose when entering the international market.

<table>
<thead>
<tr>
<th>Seek new business areas</th>
<th>Prepare Globalization</th>
<th>Strengthen your global position</th>
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<tbody>
<tr>
<td>Consolidate the position in established markets</td>
<td>Consider expansion in new markets</td>
<td>Seek global alliances</td>
</tr>
<tr>
<td>Stay in your home market</td>
<td>Seek niches’ in international markets</td>
<td>Prepare for possible buy-up</td>
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The company’s ability to go international is the vertical axis and on the horizontal we find the globalization of the industry. From the findings in the model for strategy choice that leads to internationalization ability, along with the findings in the external we learned that Gasnor’s ability to go international is average. Gasnor is a rather small company and does not have the biggest economical muscles in the market to go fully international. But on the other hand, they have already landed some big contracts abroad and still strive to be a bigger international player. Today, Gasnor only operates in the Nordic region and is in business with a

\textsuperscript{83} Solberg internasjonal markedsføring 2006 p 156
company in Spain. Based on these findings we can conclude with that Gasnor’s has a medium to good ability to go international.

The strength of the globalization of the industry is determined by the findings from the internal analysis. Today the distribution of LNG is mainly located in Europe and North America. Even though it is consistently growing, it remains a fact that it is not gone fully global yet. Since we have established both the company’s ability to go international and the globalization of the industry, we can now plot Gasnor in the 9 windows. With a mediocre to low score on the company’s ability to go international and a mediocre score on the globalization of the industry, we find Gasnor in between two windows: “Seek niches in international markets “and “consider expansion in new markets.”

In the window “Seek niches in international markets “, the theory states that Gasnor should evolve small niches’ where they can identify absolute merits. By doing this, Gasnor will limit their reference market and thereby gain a stronger position in this market. This will hopefully result in a higher ability to go international by gaining experience and position in international markets. The latter window “consider expansion in new markets” adds more stones to the foundation laid in the previous window. The company should prepare for the possibilities of changing in a global direction. By evolving networks and market positions in strategic main markets, Gasnor will gain “the upper hand” on important customers and competitors. The company will thereby be better prepared if the market changes in a more global direction. Strategic main markets are markets where the most important competitors have their home markets/biggest markets. This might seem like an ambitious strategy, but it is necessary if Gasnor want to survive as an independent company, also in a global market. The power to strike back where it hurts the biggest competitors the most, on their home markets is an absolute must. In order to gain this power, the company needs a strong foothold in these markets. By being the first company in Lübeck with a terminal, Gasnor can achieve this advantage. In conclusion to the 9 windows, Gasnor should evolve small niches in the markets and by using their competitive advantage gain a stronger position in this market. Furthermore, it

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84 Solberg, internasjonal markedsføring 2006 p 158
should evolve networks and market positions in strategic main markets to prepare for future globalization.

10. Entrance strategy analysis

Gasnor’s entrance into the LNG market in Lübeck is based on the findings that we found in both the internal analysis and the external influencing factors that was determined in the external analysis. The fact that Gasnor want to use a terminal in Lübeck will make Gasnor responsible for the transport of the LNG which suggests a rather large Foreign Direct Investment (FDI). In addition, Gasnor must still rely on local production with supplements from Spanish partners among others.

As of now, Gasnor have an advantage because they will be the first to offer LNG from a terminal in Lübeck. But since this only is at the planning stage, Gasnor have to move fast in order to hold on to their advantage, by being the sole provider of LNG in Lübeck.

The choice of representation is also influenced by the company’s objectives for the internationalization. If the objective is more quantitative, the exporter will benefit from a relationship with a well established and dispersed partner.

If the objective is more qualitative, the direct involvement is necessary in order to secure a progressive learning curve. A combination of the two is of course possible, but a tradeoff will be the natural result. In Gasnor’s case, we are talking about a quantitative, at least in the early years of the expansion.

10.1. Entrance strategy

Looking at the choice of entrance strategy, there are two factors that decide this choice:

1. The company’s internal goal and recourses
2. The external market conditions

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85 Solberg, internasjonal markedsføring 2006 p 184
86 Solberg, internasjonal markedsføring 2006 p 185
87 Solberg, internasjonal markedsføring 2006 p 186
Wes will in the following look further into these factors and finally suggest the solution best suited for Gasnor.

10.2. The company’s internal goal and resources

Gasnor’s slogan, which is imprinted in the business culture of the company, is “We make the natural gas available”. This shows that the company and their employees have a commitment to deliver gas where it is needed. Even though Gasnor is partly owned by bigger companies, it strives to stand on its own feet, and make it on the international arena on their own. They are in charge of the majority of the transportation of their gas themselves, which shows that Gasnor want to control their gas from production to sale. Gasnor also have the resources to go international, both with a good export circle and financial strength. Their goal is to expand internationally, slowly but steady.

10.3. The external market conditions

Here there are 3 main factors that influence the entrance strategy:
1. Customers
2. Negotiation structure
3. Competition

10.3.1. Customers

Customers play a central role in the entrance strategy in regards to how many they are, and how many the company wants to reach. In Lübeck, there are a huge number of potential customers. Not only is the shipping company that already uses LNG a potential customer, but also the ones that currently use crude oil. Gasnor’s first focus should be to focus on the ships currently using LNG and build networks with these. Gasnor will therefore focus their effort on only a small part of the whole potential market.

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88 Solberg, internasjonal markedsføring 2006 p 186
10.3.2. Negotiation Structure\textsuperscript{89}

Since Gasnor will be the sole provider of LNG in Lübeck, the negotiation power for the customers will be rather low. If customers are dependent on LNG from the Lübeck terminal, Gasnor is the only choice. This fact, combined with the previous point that stated that Gasnor will only target a small amount of the potential market, suggests a rather small sales force.

10.3.3. Competition\textsuperscript{90}

The market Gasnor wishes to enter is a new market without any direct competitors. Gasnor has the first mover advantage and can, in the beginning, operate as the sole provider of a product in a market. In markets like these, the choice of entrance strategies will be more influenced by the two other factors. To sum up, Gasnor is targeting a niche market with few customers with rather low negotiation power. They also have the first mover advantage, so the entrance strategy is not affected by the competition. Since few customers in a lucid market are easy to handle and reach by a small sales force, we suggest that Gasnor choose an agent to represent the company in Lübeck.

10.4. Means of representation

10.4.1. Agent\textsuperscript{91}

Gasnor have ships and trucks for transportation of LNG, in addition they rent a vessel for LNG-shipping from Spain to Norway. When the terminal is up and running it, needs little service from Gasnor employees.

Today, Gasnor have several loyal customers in Norway. One important factor for this is that Gasnor is the best option for their customers due to the terminals locations. By being the first company with a terminal in Lübeck Gasnor can gain similar customers to what they already have in Norway, simply by being the only provider.

\textsuperscript{89} Solberg, internasjonal markedsføring 2006 p 186
\textsuperscript{90} Solberg, internasjonal markedsføring 2006 p 187
\textsuperscript{91} Solberg, internasjonal markedsføring 2006 p 203
To market that they are the only provider, only an agent is necessary. Since the majority of the shipping-companies operating in Lübeck have agents of their own stationed in the city, a Gasnor agent can easily reach out to the majority of potential customers without having to rely on big marketing campaigns. By having an agent Gasnor can gain the information that is needed in order to achieve success. Gasnor can save money on research in the market since the agent already is present in the German market.

When Gasnor choose an agent there are some important facts to be considered, the contract that is made with the agent must obtain all the information and guideline that the agent should follow. The salary to the agent should be clarified in the contract since The Principal-Agent theory states that the rational human seeks to increase personal gain, and that post contractual opportunism can be prevented by screening and a comprehensive selection process as well as trust building incentives.

10.4.2. Competition

We have earlier in the assignment classified Gasnor as a niche in the German market, giving Gasnor few or none direct competitors. But they do have indirect competitors. These are companies that produce and sell oil. The shipping industry will most likely not use both oil and natural gas as a fuel source on the ships.

Gasnor have to find out what kind of relationships and contracts these companies have with each other, if it is a long-term or a short-term contract. This can eventually be the loophole Gasnor needs in order to gain the contracts and relationships that they need in order to achieve success in the German market.

In order to obtain the contracts they need, they need to find out how the customers’ buying habits are. This can be an approach that Gasnor should use on their way into the German market. Since Gasnor’s business is in a niche sector, other companies that is not a direct competitor can provide their customers with some of Gasnor’s offerings. Gasnor have to find loopholes where they can manage to get in contact with potential customers.
It will also be critical for Gasnor to find out about customers’ buying habits. By doing this they can manage to get in where the companies that already is in the market do not have such as good reputation or foothold.

We have over the last month been sending out questionnaire to the shipping industry in Germany which showed that there are some barriers that Gasnor need to overcome in order to get through to the shipping industry. We found out through the questionnaire that many of the companies at the moment are in a contract with Gasnor’s competitors, making it difficult for them to get through. If this do not work it could be necessary for them to get into an alliance with one of their competitors.

10.4.3. Cultural differences$^92$

Norway and Germany are geographical close to each other, but there are still some differences between the Norwegian and German business culture. Compared with Norway, Germany has a much more formal business form. The German people, especially in the industry are more engaged on having a clear split between the top management, and the ones that is further down in the hierarchies. In Norway the boss tend to act more like a coach rather that a boss or manager.

In Germany it is a common rule to refer to people by their last name, but in Norway it is normal to only use the first name. They do this because they feel it helps the solidarity in the company to get stronger.

Another big difference between German and Norwegian business culture is the woman’s position in the business life. While in Germany few women are in this type of businesses, because it is few German females that take this subject at school, the workforce in Norway is as high as 50 % and 25% in the managerial position held by female workers$^{93}$. But the likenesses are there, both countries appreciate punctuality, both in business and social life. Both countries like to have a separate work and personal life. But this is better showed in the German business life since they do not call each other by first name.

$^92$ R.R. Gesteland cross cultural behavior 2005
$^93$ R.R. Gesteland cross cultural behavior 2005
Norway and Germany tends to be seemly direct in the way of doing business, not much small talk during meetings, Norway are also known as bad small talkers during business dinners and so on. To conclude the biggest differences between these cultures are informal vs. formal.

If cultural misunderstandings would occur when Gasnor makes it entrance to the German market, an agent can be the solution for the problem.

10.5 Weakness & Threats-strategy

In the following, we will give a WT-strategy, which means that the focus will lie on how to improve the threats and weaknesses. The questionnaires and the SWOT-analysis combined gave a few important points that Gasnor should focus on changing.

10.5.1 Weakness strategy

Gasnor’s biggest weakness is the availability of LNG. Today Gasnor achieve their gas only from their 3 gas plants in Norway and the gas they buy from Spain. Gasnor is already dependent on gas import to cover the demand. We have therefore recommend, as mentioned in the chapter “strategic guidelines”, to build network with more gas suppliers, so that they can benefit from this in the future.

10.5.2 Threats strategy

Gasnor’s biggest threats are the threats from future competitors in the shipping market. With today’s acceleration of gas suppliers all over the world, it is naïve to believe that Gasnor will be the sole provider of LNG in Lübeck for very long. But there are measures to take to fight future competition. Earlier in this paper the authors have mentioned increased visibility as a crucial in order to get new customers. Visibility is also important to enhance the next point; first mover advantage. Increased visibility lead to increased knowledge about the company, which again can lead potential customers becoming Gasnor’s customers. If Gasnor moves fast, they will be the sole provider of LNG in Lübeck by being the
first in the market. Gasnor thereby have the first mover advantage. They have the upper hand on future competitors because they can achieve a broad customer portfolio before the competitors even enters the market. The authors therefore recommend increasing their visibility by participating on industry exhibitions, posting positive press releases on their web-page, use the “country of origin effect” since Norway is a respected nation in the Gas industry and also in the future be involved in positive projects like the MAGALOG project.

Chapter 11 Recommended strategies

To give a recommended strategy all factors should be evaluated, from critical success factors, to choice of entrance strategy and finally means of representation. Before entering the German market it is crucial for Gasnor to increase customers’ awareness about Gasnor by increasing their visibility. As earlier mentioned, this could be done by participation on industry exhibitions, stress the fact that they have strong partners and play on the country of origin effect. Gasnor also has a responsibility as a gas provider to increase knowledge about LNG and its advantages. This can be done on their web pages, on the mentioned exhibitions, and in trade publications.

Furthermore, Gasnor has to stand out from the crowd in order to fight off future competition. The authors have suggested focusing on being innovative by choosing innovative partners that can help them to stay ahead of the competitors. Gasnor should also use their first mover advantage to build network with clients in and around Lübeck. A big and solid network will help Gasnor against attacks from future competitors.

Gasnor’s placement in the 9 windows “seek niches in international markets/expand to new markets” is congruent with both their goals for internationalization and for the market they are entering. The best way to represent Gasnor in this market is by an agent. This is because it is a lucid market, with a small geographical spread that is easy to reach by one person. The choice of agent should fall on a person with an understanding of the cultural differences between the two business cultures. Furthermore, the agent should be a person who is not likely to be opportunistic and focus on his/her own best interest at all time.
Agents usually work on provision and might therefore neglect the company’s norms and ideas in order to make as much as possible for him/herself.

Finally, the authors suggest that Gasnor focus on bettering their weaknesses in order to stand stronger when competitors enter the market in the future.

12. Conclusion

Throughout this thesis we have gathered information both from secondary and primary research in order to be able to answer our problem definition:

“What is the potential for Gasnor to offer LNG to the shipping industry and the energy industry in Lübeck?”

“What would be the key success factors for Gasnor upon entering this market, and what would be the most beneficiary entrance strategy for the company?”

The market Gasnor want to enter is rather small, but in growth. Furthermore, at the moment there are no other providers of LNG in Lübeck, making this market very attractive for Gasnor. As we have learned from the questionnaires, the knowledge about LNG is good in both segments, but the resistance to make the change from oil to LNG is high due to price. Also, Gasnor is not well known in the main segment, the shipping industry. That tells us that Gasnor is not visible enough on the arena they now are entering, which can harden the entry process.

We have come up with strategies that focus on how Gasnor can increase their visibility, how to better their weaknesses and also strategies that will lower the degree of threats.

In the entrance strategy we have made specific recommendations on how this will be best done for Gasnor.
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http://www2.eycom.ch/library/items/treuhaender_0709_damji_wolff/treuhaender_200709_damji_wolff.pdf

G
http://www.gascentre.unece.org/minisitepub/uncms/FINAL%20REPORT%20UNCMS%20December%202005%20_05%2012%2005_.pdf

I
http://internationaltradecommodities.suite101.com/article.cfm/top_natural_gas _countries

L

M
Report from the MAGALOG project December 2008

W
http://webfiles.ebm.as/gasnor/Web/Årsberetning%202007.pdf
14. Appendix

Appendix I

Main intention of this survey:
Finding out how willing the Energy Suppliers are to use, LNG as a fuel source?

To answer this task, we will ask the following questions to the Energy supplier:

Awareness about LNG /Gasnor

Yes/No questions
1. Have you heard about Gasnor ASA yet?
2. Are you aware of the benefits from using LNG vs. traditional fuel?
3a. Does your company portfolio currently consist of LNG?
3b. If yes, what is the percentage of LNG in your portfolio?
3c. If not, would you be willing to involve LNG in your portfolio?

(1-5) 5 is very good, 4 is neutral and 1 is very bad

Knowledge and impression about LNG/Gasnor

4. If you have heard about Gasnor “what is your impression about the company”?
5. How good is your knowledge about LNG?
6. How aware are you of the benefits from using LNG vs. traditional fuel (oil, coal)?
7. What is your impression of Norwegian gas suppliers?

Strategic questions

8. What do you think are the strength and weaknesses of using LNG?
9. What do you think are the treat and opportunities of using LNG?
10. What incentives do you see as the most important for your company to change from oil to LNG?
11. What do you see as the largest obstacles for changing to LNG?
12. Where do you see the significance of LNG in five years?

Environmental

Explanation questions

13a. What does your company do to have an environmental friendly profile?
13b. If you have an environmental friendly profile please name a few programs you have done to fulfill this?
14. How important is it for your company to reduce the CO2 emissions?
15. How important is it for your company to have an environmental-friendly profile?

Company desires /details

16. What countries do you import your gas from?
17. Are you importing any Norwegian gas in your energy portfolio?
18. If you could choose region of gas imports, which place would you prefer:
   o Nordic gas region
   o Russian gas region
   o Asian gas region
19. Why would you choose this?
20. In your opinion, would it be an advantage or disadvantage to import from a Norwegian Gas Company?
21. Why would it or why would it be an advantage or a disadvantage?
22. How long is your contract period with your current customers?
23. What are your criteria for choosing gas imports?
24. How satisfied are you with today’s energy supplies regarding price?
25. How satisfied are you with today’s supplies regarding energy efficiency?

The Future Final question:
26. What can Gasnor do to increase the reputation of Norwegian LNG?

Gender:
Date:
Company:
Interviewee:
What is your responsibility in the company?

Appendix II

LNG AS A FUTURE FUEL SOURCE?

Main intention of this survey: Finding out how willing the shipping companies is to use, LNG as a fuel source? (This survey is done for Gasnor ASA, and if you take the test we are happy to share the conclusion of the survey with companies interested in this, just leave your personal e-mail address in the end of the questionnaire)

If there is a question you don’t like to answer or don’t have the answer to, you either click on the “don’t know” option or write that you don’t know on the question.

End of Page1

email

[Background variable • Not required]

Email

Page3

i39
Awareness about LNG

q35
1. Have you heard about Gasnor ASA yet?
q36
2. Are you aware of the benefits from using LNG vs. traditional fuel?
- Yes (1)
- No (2)

q37
3a. Does your ships currently use LNG as a fuel source?
- Yes (1)
- No (2)
- don't know (3)

q38
3b. If “yes” in which market segment does your ships sail for?
- Cargo (1)
- Passenger (2)
- Special-purpose vessels (3)
- Other (4)
- None of the above (5)

q73
3c. If “no”, do you intend to use LNG in the future?
- Yes (1)
- No (2)
- Maybe (3)
- don’t know (4)

q84
3c. If “no”, do you intend to use LNG in the future?
- Yes (1)
- No (2)
- Maybe (3)
- don’t know (4)
- End of Page3
### Knowledge and impression about LNG/ Gasnor

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<tr>
<th>Question</th>
<th>Very Good</th>
<th>Good</th>
<th>Neutral</th>
<th>Bad</th>
<th>Very Bad</th>
<th>Don’t Know</th>
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</thead>
<tbody>
<tr>
<td>4. If you have heard about Gasnor “what is your impression about the company”? (1)</td>
<td></td>
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<td>5. How good is your knowledge about LNG? (2)</td>
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<tr>
<td>6. How good is your knowledge of the benefits from using LNG vs. traditional fuel source (oil, coal) for the ships engine? (3)</td>
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<td>7. How much do you know about the cost reductions due to less maintenance expenses on using LNG? (4)</td>
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<tr>
<td>8. What is your impression of Norwegian gas suppliers? (5)</td>
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### Strategic Questions

<table>
<thead>
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<tr>
<td>9. What do you think are the strength and weaknesses of using LNG?</td>
</tr>
</tbody>
</table>
10. What do you think are the threat and opportunities of using LNG?

11a... What incentives do you see as most important to change from crude oil to LNG concerning the ships?

11b... What do you see as the largest obstacles for changing to LNG?

12. Where do you see the significance of LNG in five years, in terms of usage in the shipping industry?
q51
Emphasis on Environmental Issues!

<table>
<thead>
<tr>
<th></th>
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<th>Neutral</th>
<th>Bad</th>
<th>Very Bad</th>
<th>Don’t know</th>
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<tbody>
<tr>
<td>13. How important is it for your company to have an environmental-friendly profile? (1)</td>
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<tr>
<td>14. How important is it for your company to reduce Co2 emissions? (2)</td>
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</tbody>
</table>

q52
15a. What does your company do to have an environmental friendly profile?

q53
15b. If you have an environmental friendly profile please name a few programs you have done to full fill this?

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Page7

i55
Company Details

q56
16a. How many ships does your fleet contain of?
q57
16b. What are the sizes of the ships your company has?

q58
17. Does your company lease or own the ships?

q75
18. How “old” would you say your fleet is on average?

q62
19. How often does your company on average purchase new ships?
  ◆ 1 year (1)
  ◆ 2 years (2)
  ◆ 3 years (3)
  ◆ 4 years (4)
  ◆ 5 years (5)
  ◆ 6 years (6)
  ◆ 7 years (7)
  ◆ 8 years (8)
  ◆ 9 years (9)
  ◆ 10 years (10)
  ◆ 15 years (11)
  ◆ 20 years (12)
  ◆ 25 years (13)
  ◆ 30 years (14)
  ◆ Other (15)
  ◆ None of the above (16)
  ◆ (17)
  ◆ (18)
Company Details

<table>
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<th></th>
<th>Very satisfied</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Dissatisfied</th>
<th>Very dissatisfied</th>
<th>Don’t know</th>
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<tr>
<td>20a. How satisfied are you with today’s fuel supplies regarding price? (1)</td>
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<tr>
<td>20b. How satisfied are you with today’s fuel supplies regarding energy efficiency? (2)</td>
<td></td>
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<td></td>
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</tbody>
</table>

21. What are your average expenses on fuel and usage per ship per year? (Please answer in dollars)

22. How many of your ships use the dock in Lübeck or frequently cruise to Lübeck? &nbsp;

23. What can Gasnor do to increase the reputation of Norwegian LNG?
Personal Details

Gender:
☐ Male (1)
☐ Female (2)

Company:

Interviewee name:

What is your responsibility in the company?

Personal e-mail address (optional):