



**Strategy for SME's International Expansion - Selection and  
Penetration of Foreign Markets**

The case of Castro, Pinto & Costa and OleoTest®

by

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**Internship Report**

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*“To accomplish great things we must not only act, but also dream; not  
only plan, but also believe.”*

*Anatole France*

## **Biographical Note**

Sofia Ferreira de Almeida was born in São João da Madeira on August 13, 1991. As personal characteristics stands out the enthusiasm, commitment, proactivity and integrity dedicated to every challenge of life.

In 2013, finished graduation studies in Management at the Faculty of Economics of the University of Coimbra. In September of the same year joined the course Master in Management at the Faculty of Economics of the University of Porto.

During the master program had the opportunity to develop an internship, between September 2014 and March 2015, at Castro, Pinto & Costa, Lda. (CPC), located in the city of Maia.

It was in the field of the internship at CPC that the report “Strategy for SME’s International Expansion - Selection and Penetration of Foreign Markets. The case of Castro, Pinto & Costa and OleoTest<sup>®</sup>” was developed.

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## **Abstract**

Globalization is a real phenomenon that has been taking place during the last decades with a strong impact on countries and its companies. The huge advances in technologies and the continuous reduction of countries' barriers to entry are on the basis of this event, which motivates firms around the world to start internationalize their business activities, regardless of their sizes. The internationalization process is even more important in the case of small-and-medium enterprises (SMEs) due to their domestic and geographic scope characterized by limited knowledge on foreign countries and lack of available resources (financial, human, etc.). Therefore, the development of a structured internationalization strategy is increasingly becoming a priority to these companies, in order to take the greater benefits from external and internal advantages, while overcoming barriers in the most effective way.

This report is the final result of a curricular internship, as an integral part of the Master in Management, developed in the company Castro, Pinto & Costa, Lda. (CPC) between September 2014 and March 2015.

CPC was founded in the year 2000 and dedicates its activities to consulting and advisory in the sector of food safety and quality control. In 2002, the company developed the product OleoTest<sup>®</sup> (OT), an innovative method for measuring the quality of frying oils used for food manufacture, which is considered nowadays the true brand image of the company.

It is within the dynamic between SMEs and internationalization that this study aims to develop an international expansion strategy for OT, the “star product” of the Portuguese company being studied. The internationalization plan under construction involves the selection of a target market(s), the design of an entry strategy, and the development of a communication strategy for approaching the proposed market(s). In order to achieve this goal, a qualitative case study methodology was used.

Through this, it was possible to develop an international expansion strategy for OT that culminated in the proposal of a set of countries for selection (Austria, Germany, Ireland, Netherlands, Sweden, Switzerland and United Kingdom) and the recommendation to internationalize through direct export and strategic partnerships.

Finally, this report contributes to the scientific and business community due to the combination between its theoretical component and the practical application to a SME with a real and innovative product, and operating in a business-to-business environment.

**Key-words:** International Expansion Strategy, SMEs, Internationalization Process, Castro, Pinto & Costa (CPC), OleoTest<sup>®</sup>.

**JEL-Codes:** M10, M16, M19

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## **1. Introduction: Motivation, Aim and Research Question**

In the era of globalization that we are currently living, most firms will sooner or later take the next step and compete internationally (Zain and Ng, 2006). The last decades have been strongly impacted by the growing dominance of this phenomenon. The advances in technology and the simultaneous decrease of barriers to entry, had a huge impact on firms, irrespective of their size, awakening their interest to initiate or extend their operations to international markets in order to improve their competitive advantages (Young *et al.*, 1989). In the particular situation of small-and-medium enterprises (SMEs) international expansion is an especially important decision, once this type of firms traditionally have a small financial base, a domestic focus and a limited geographic scope (Barringer and Greening, 1998).

The internationalization process of firms is one of the most frequently researched topics in international marketing. However, this topic is mainly analysed with reference to multinational corporations (Westhead *et al.*, 2007). At the same time, SMEs are increasingly acquiring an international profile and represent nowadays the majority of enterprises in most countries, playing an important role in the economic growth of their representative countries (Musso and Francioni, 2014). In fact, statistics say that, in 2009, SMEs represented between 99,7% of Portuguese non-financial business and, from the total number of Portuguese exporting companies, 69,1% are SMEs (INE, 2011). From these numbers is easy to see the supremacy of SMEs in Portugal and the tendency for them to increase is real. As consequence of the growing number of SMEs all over the world, the internationalization process of SMEs has been attracting the growing interest from scholars interested in internationalization and entrepreneurship (Andersson *et al.*, 2004).

One of the most important decisions for SMEs regarding the internationalization process, refers to ‘where?’ and ‘how?’, that is, the selection of foreign markets where the company will conduct its activities and the modes it uses to do so (Musso and Francioni, 2014). Several factors can influence the selection, propensity and method of foreign market entry (Westhead *et al.*, 2002), making these two decisions critical for a firm’s success abroad.

The present work is focused on the particular case study of Castro, Pinto & Costa, Lda. (CPC) and its product OleoTest<sup>®</sup> (OT). CPC is a Portuguese consulting company, specialized in food safety and quality control. The enterprise was founded in 2000 as one of the first *spin-off* from the University of Minho. Since then, CPC has been expanding and consolidating its activities, having been considered “PME Líder” (leading SME) on three different years (2010, 2011 and 2012). CPC started its international expansion in 2006 with the exportation of OT, a reliable, fast and cheap method to control frying oils’ quality used by hotels, restaurants, catering companies, canteens, and official control agencies in the inspection of food establishments. So, it is important to notice that, despite the product being available to the general public, OT sales are mainly made in the business-to-business segment.

This study is related to the specific objectives of an internship developed at CPC, which demanded a direct contact with the exports of the company, since it is proposed to develop a strategy to continue the international expansion of OT in the European market. So, we intend to develop an internationalization strategy that includes the selection of foreign countries in the European market, the decision on an entry mode on the target market(s) and the development of a communication strategy in order to approach the proposed market(s) and guide the management team activities to success.

This is a relevant study for the company at this particular moment since the current markets of OT, despite continuing very profitable, have reached some level of saturation. Therefore, the need to extend the growth of the product demands an exploration of its possibilities in the international markets without compromising its future activities.

Considering the significant importance of internationalization to Portuguese SMEs and the need faced by CPC regarding OT’s international expansion, the main objective of this study is to develop a strategy of internationalization in the European market. That being said, the main research questions that we propose to answer with this investigation are the following: “*Which European market(s) to select for OleoTest<sup>®</sup> international expansion?*” and “*which strategies to use for entering the selected market(s)?*”.

In order to answer these two questions, a literature review on the main concepts, theories and strategies of internationalization are initially developed with the objective of understanding and delineate the past and current internationalization path of the product. Then, by combining the insights from the literature with an internal and external diagnosis of the company, we are able to create an international expansion strategy (which includes market(s) selection and entry strategy) that should be compatible with the specific situation of the company and that reunites all the efforts to not compromise its future.

The expected contribution of the study to the enterprise is that, at the end, the company has a strong set of information that will help guide its activities and achieve success in international businesses. Additionally, this work contributes to the particular growth of the author in terms of theory and methodology regarding international studies, and applied to practice. Besides that, this study contributes to the scientific academy by applying internationalization theory to the specificities of a SME, which is introducing an innovative product to new markets and working in business-to-business (B2B) context.

Besides this section, the present report is structured as follows: in Section 2, a literature review on the internationalization topic is made, where several themes are approached such as the main concepts of internationalization, motivations of SMEs and main barriers, main theories of internationalization, foreign markets and entry mode selection, and internationalization in B2B environment. Then, in section 3 a presentation of the company and the product being studied is made. This section is followed by section 4 where important considerations regarding the study methodology are developed. The internationalization strategy for the company is constructed in section 5. This section starts with a diagnosis of the company motivations, and its internal and external environment, followed by an assessment of opportunities for international expansion, the definition of an entry strategy for the pre-selected market(s), and the development of a communication strategy. In section 6, a description of the internship developed at the company is made and, at last, in section 7, the main conclusions of the study are presented.

## **2. Literature Review**

In order to better understand the phenomenon of internationalization faced by companies, and that, ultimately, will be used as a base for answering the case's research questions, this literature review is developed around the following questions: *“How to select a market(s) for the international expansion of a SME?”* and *“how to design an entry strategy for the selected market(s)?”*.

The present chapter is divided in six sections. Initially, the concepts of SMEs' internationalization are presented in Section 2.1, followed by a reference to the motivations that impulse these companies through internationalization (Section 2.2).

In the third section of the chapter (Section 2.3) the main barriers and challenges of internationalization imposed to SMEs are discussed.

Regarding Section 2.4, this includes a review of the main theories of internationalization, founded to be relevant to the particular case in study, and its limitations. By analysing these theories is possible to better understand the process of internationalization of SMEs, once they offer a significant diversity of perspectives and factors that may influence the decision regarding the selection and entry of foreign markets. Ultimately, these theories will guide us through the design of an internationalization strategy that better fits the company and the product being studied.

Posteriorly, Section 2.5 approaches two different, however complementary, points which are considered critical to the success of any internationalization strategy. The first point of this section is a review on the process of international market(s) selection, that is, how SMEs select foreign markets to expand international activities. Then, the several entry modes available to companies are presented in the second point.

Finally, the chapter ends with an analysis of internationalization in B2B environment (Section 2.6), once this is a relevant segment to the company being studied and that represent additional challenges concerning internationalization.

## 2.1. Concepts/Definitions of Internationalization

Over the years, the study of SMEs' internationalization has gained a strong momentum and, in accordance with that, several definitions of the concept have emerged and subsequently evolved. As Ruzzier *et al.* (2006) presents in his work, the internationalization process of SMEs can be envisaged on the basis of three different focus: (1) process/operations, (2) networks/relationships and (3) resources. The selected definitions and respective focus are presented in the following table.

**Table 1 - Concepts of SMEs' internationalization**

Author(s)	Concept	Focus
Welch and Luostarinen (1988); Calof and Beamish (1995)	Internationalization is the process of increasing involvement in international operations, while adapting firms' operations, strategy, structure, resources etc., to international environments.	Process/firms' operations
Johanson and Mattsson (1988)	"Internationalization as developing networks of business relationships in other countries through extension, penetration and integration."	Networks, relationships
Ahokangas (1998)	"Internationalization is the process of mobilizing, accumulating and developing resource stocks for international activities"	Resources

Source: adapted from (Ruzzier *et al.*, 2006)

## 2.2. Motivations for Internationalization

The era of globalization that strongly represents today's society, technology and business environment, creates a need on SMEs to diminish its dependency on domestic markets. Also, there is a strong relation between internationalization and the improvement of financial and economic performance of SMEs, as well as with the increase of competitiveness, the reinforcement of organic growth and the creation of conditions for long-term sustainability (AICEP, 2013b).

Thus, the reasons that prompt a SME to explore opportunities in external markets are multiple. Beside the reasons previously presented, the motivations, as Brouthers *et al.* (2009) enumerated, include possibilities such as: explore in foreign markets the unique *know-how* that the company possess, relieve the competitive pressure at home country



(Oviatt and McDougall, 1994); explore a specific *niche*, explore growth opportunities in markets with a big dimension, recover high investments of R&D, acquire new products or knowledge in the market (Autio *et al.*, 2000); to follow current customers that are going to other countries (Bell, 1995).

More generically, Viana and Hortinha (2005) point out six reasons why companies search for international markets: increase of business volume; synergies regarding cost structures (economies of scale); risks reduction due to markets diversification; collaboration with companies and public institutions; ascendancy of target market(s); and absolute advantages (regarding resources).

Concluding, the different motivations for SMEs' internationalization come from both internal and external stimuli (Cavusgil and Godiwalla, 1982), and the international market expansion decision is usually the result of a combination of multiple factors (AICEP, 2013b). The motivations discussed are summarized in the following table.

**Table 2 - Motivations for Internationalization**

Author(s)	Motivations for SMEs' Internationalization
AICEP (2013b)	<ul style="list-style-type: none"> <li>▪ Reduce dependency on domestic markets</li> <li>▪ Improvement of financial and economic performance</li> <li>▪ Increase of competitiveness</li> <li>▪ Reinforcement of organic growth</li> <li>▪ Long-term sustainability</li> </ul>
Oviatt and McDougall (1994)	<ul style="list-style-type: none"> <li>▪ Explore unique <i>know-how</i> in foreign countries</li> <li>▪ Relieve the competitive pressure at home market</li> </ul>
Autio <i>et al.</i> (2000)	<ul style="list-style-type: none"> <li>▪ Explore a specific <i>niche</i></li> <li>▪ Explore big markets with growth opportunities</li> <li>▪ Recover high investments of R&amp;D</li> <li>▪ Acquire new products/knowledge in the foreign market</li> </ul>
Viana and Hortinha (2005)	<ul style="list-style-type: none"> <li>▪ Increase of business volume</li> <li>▪ Economies of scale</li> <li>▪ Markets diversification (reduction of risks)</li> <li>▪ New collaboration (with companies and public institutions)</li> <li>▪ Ascendancy of markets</li> <li>▪ Resources advantages</li> </ul>

### **2.3.Barriers to Internationalization**

Expanding to international markets represents an important opportunity for growth and value creation. However, it also carries unique challenges to SMEs in addition to those faced in the home country (Lu and Beamish, 2001).

The main problems that firms face when establishing activities in a foreign country are associated with the “*liability of foreignness*” and “*liability of outsidership*” (Johanson and Vahlne, 2009). The first concept tells us that, due to the fact of not being native, the larger the psychic distance between countries the larger is the risk for the company. The second problem is associated with the need to belong to relevant business networks in the target country in order to have successful international expansion.

Another barrier that arises is the so called “*country-of-origin effect*”, that is, the image that a country diffuses to international markets and its impact on products' evaluation and on quality perception (Cateora *et al.*, 2013; Elliott and Cameron, 1994). Moreover, the literature mentions as barriers the lack of knowledge regarding foreign markets and the lack of know-how and expertise of the international management team (Leonidou, 2004). Besides that, as Brouthers *et al.* (2009) denoted, the limited amount of financial resources available to support the costs associated to an international expansion is, similarly, pointed out as one of main problems that SMEs face during this process.

SMEs are many times characterized for being averse to risk and uncertainty, which ultimately has an impact on internationalization since this is a process that demands a high degree of risk and perseverance (Westhead *et al.*, 2002). This limitation makes the owners or the management team of small firms more conscious and hesitant to pursuit foreign opportunities (Baird *et al.*, 1994).

The next table shows a synthesis of the main barriers defend by authors.

**Table 3 - Barriers to Internationalization**

Author(s)	Barriers to SMEs' Internationalization
Johanson and Vahlne (2009)	<ul style="list-style-type: none"> <li>▪ “<i>Liability of foreignness</i>”</li> <li>▪ “<i>Liability of outsidership</i>”</li> </ul>
Cateora <i>et al.</i> (2013); Elliott and Cameron (1994)	<ul style="list-style-type: none"> <li>▪ “<i>Country-of-origin effect</i>”</li> </ul>
Leonidou (2004)	<ul style="list-style-type: none"> <li>▪ Lack of knowledge regarding foreign markets</li> <li>▪ Lack of know-how and expertise of the international management team</li> </ul>
Brouthers <i>et al.</i> (2009)	<ul style="list-style-type: none"> <li>▪ Limited financial resources</li> </ul>
Westhead <i>et al.</i> (2002)	<ul style="list-style-type: none"> <li>▪ Advertence to risk and uncertainty</li> </ul>

## 2.4.Main theories of Internationalization

Given the diversity of contexts that are characteristic of today's firms (e.g. sector, firm size), internationalization has been presented as multi-theoretical and multi-disciplinary (Perks, 2009). Thus, we will only focus on those models founded to be more relevant to the topic and to the concrete reality of CPC and OleoTest®.

### A) The Eclectic Paradigm

The eclectic paradigm, also known as OLI paradigm, proposed by Dunning (1988, 1995, 2000) has as subject the “extent and pattern of international production, i.e., production financed by FDI (foreign direct investment)”. The model stipulates that FDI only exists when there are reunited three determinant forces: (1) ownership advantages, (2) location advantages, and (3) internalization advantages.

The *ownership advantages (O)* are specific to the company and related to the particular assets and skills used to compete in international markets (intangible assets, technological capacities, product innovations, patents, brands, management skills, etc.), and that benefit the company over its competitors.

The *location advantages (L)* are associated with the decision of firms choosing to locate these value-adding activities in a location that is not its home country. The more

endowments (e.g. government incentives, low-cost labour, low price raw materials) a foreign location offers (in comparison with the domestic location), which companies can use with their own competitive advantages, the more firms will opt to exploit their *O* advantages by engaging in FDI.

At last, the *internalization advantages (I)* represent the benefits that firms will accomplish from internalizing operations for the exploitation of their ownership advantages, such as reduction of transaction costs, control over operations, avoid tariffs, etc. The greater the net benefits of internalizing cross-border operations, the more likely a firm will prefer to engage in FDI, rather than license the right to do so to a foreign firm.

The eclectic paradigm presents a way for multinational firms make a rational decision regarding internationalization on the basis of the OLI tripod, considering when the FDI mode is preferable over the other entry modes. However, this theory was also target of some criticisms, mainly due to the fact of not dedicate enough attention to the other entry modes and for being a static model that offers little guidance (Dunning, 2001).

### **B) The Stage Models**

An influential traditional approach to explain firms' internationalization has been the *stage models*, which basic assumption is that internationalization occurs in a gradual manner through different stages (Andersson *et al.*, 2004). Inside this framing two schools of thinking stand out:

- The Uppsala Model (Johanson and Vahlne, 1977, 1990, 2009; Johanson and Wiedersheim-Paul, 1975);
- The Innovation-related Models (Cavusgil, 1980; Gankema *et al.*, 2000; Leonidou and Katsikeas, 1996).

According to the Uppsala school of internationalization, firms begin with their home markets and then gradually internationalize in a stepwise manner, based on the concept of “psychic distance”, which is nothing more than the differences between countries in terms of language, education, business practices, among others. This means that internationalization is an evolutionary process through which the firm develops progressive levels of commitment to international markets while it moves from less to

greater psychic distance, thus providing itself to be a learning process regarding foreign cultures, languages, political systems, level of industrial development, etc. (Andersen, 1993; Johanson and Wiedersheim-Paul, 1975). Under this approach, the process of commitment of the firm to the foreign markets happens accordingly to the following different and sequential stages: no regular export, export through agents, founding of an overseas sales subsidiary, and overseas production (Johanson and Vahlne, 1977, 1990, 2009; Johanson and Wiedersheim-Paul, 1975).

The Innovation-related models see each subsequent step of internationalization as a sequence of learning linked to innovation for the firm (Gankema *et al.*, 2000). Similarly to the Uppsala school, this theory admits a process of internationalization through evolutionary stages where knowledge and learning are the key (Andersen, 1993). Several authors developed their own model (Bilkey and Tesar, 1977; Cavusgil, 1980; Reid, 1981) and the difference between them is mainly on the number of stages, but as Leonidou and Katsikeas (1996) denoted, there are three generic stages: (1) the pre-export stage, (2) the initial export stage, and (3) the advanced export stage. Another relevant feature of these models is the influence that individual learning and top managers experience has on firm's international behaviour (Andersson, 2000).

Both theories explain the initial export behaviour of SMEs, which is characterized by the lack of knowledge on foreign markets, existence of several uncertainties and psychic differences between countries. However, some criticisms have emerged over the years. Some of those critics see the models as deterministic, since not all firms internationalize in a stepwise manner (Andersson *et al.*, 2004). In fact, some firms are international right from their inception (the *born-globals*), a reality that the models ignore.

### **C) The Network Approach**

The Network model sees markets as networks of relationships between firms, where enterprises are considered the main actors (Johanson and Mattsson, 1988). An international business network is defined as the relationship between a firm (management team and employees) with any party that enables it to internationalize its business activities, such as: customers, suppliers, competitors, government, distributors, bankers, families or friends (Zain and Ng, 2006).

For Johanson and Mattsson (1988) the internationalization strategy of a firm is achieved through the establishment of relationships in an already existent foreign network but that is new to the firm (international extension), through the development of relationships and greater resource commitment in those networks (international penetration) and through connecting networks of different countries (international integration).

Relationships are socially constructed, and so, inside business networks we can find social networks which were found to have a significant impact on the earlier stage of internationalization, namely on the search for business opportunities in international markets (Johanson and Vahlne, 2009). Therefore, interfirm and interpersonal relationships appear to have a significant influence in several internationalization issues: network relationships prompt knowledge opportunities and motivate firms to enter international markets (Ellis, 2000; Johanson and Vahlne, 2009); interfirm relationships (for example, with clients, suppliers, etc.), seem to be a major stimulus in market selection and mode of entry for SMEs (Bell, 1995; Coviello and Munro, 1997); network relationships help firms to access local market knowledge, obtain business information and establish contacts (Chetty and Patterson, 2002; Coviello and Munro, 1995).

Therefore, networks are even more relevant in the case of SMEs since they have an impact on internationalization pace, enhance foreign market selection and provide mechanisms for entry mode (Zain and Ng, 2006). However, this approach doesn't explain the internationalization of enterprises that are not involved in business networks.

#### **D) The Resourced-Based View (RBV) Approach**

The RBV approach sees each company as an unique set of competences and resources - tangible and intangible (Ruzzier *et al.*, 2006). This model recognizes that variations in the resources available to entrepreneurs and their firms can influence the propensity, method and mode of foreign market entry (Morgan and Katsikeas, 1997). In fact, some authors suggested that firms select their strategies to generate rents and obtain competitive advantages based upon resource availability and capabilities (Chandler and Hanks, 1994) and small firms, specifically, enter foreign markets when this strategic action fits its unique resources (Baird *et al.*, 1994).

Therefore, this approach recognizes that smaller firms with resources considered valuable, inimitable, rare and non-substitutable (Barney, 1991; Westhead *et al.*, 2002), and its unique combination, have a competitive advantage over competitors and an export stimuli (Bloodgood *et al.*, 1996).

### **E) International Entrepreneurship**

This last approach to internationalization is the interface of entrepreneurship and international business (Ruzzier *et al.*, 2006). This new research area sees international entrepreneurship as the “combination of innovative, risk-seeking behaviour that crosses national borders and is intended to create value in organization” (McDougall and Oviatt, 1997).

The main focus of this model is on the entrepreneur who is seen as the most important agent of change, with specific individual characteristics that facilitate the recognition and exploitation of new opportunities and the willingness to take risks and be innovative (Alvarez and Busenitz, 2001; Andersson, 2000). Due to previous developed knowledge, networks and background, they are aware of the possibility to combine resources across national borders as the basis of internationalization (McDougall *et al.*, 1994; Ruzzier *et al.*, 2006).

Therefore, for this approach, entrepreneurs’ characteristics and experience are a source of sustainable competitive advantage to the firm and the main responsible for internationalization direction and pace.

Now that all theories were developed, Table 4 presents a synthesis of the models regarding their emphasis, limitations and author(s).

**Table 4 - Synthesis of Internationalization Theories**

Theories		Emphasis	Limitations	Author(s)
<b>The Eclectic Paradigm</b>		Based on three variable forces (OLI): ownership; location; and internalization.	Static model, with little guidance regarding the internationalization process.	Dunning (1988, 1995, 2000)
<b>The Stage Models</b>	<b>Uppsala Model</b>	Firms internationalize through an evolutionary process, starting by their home markets and moving to countries with less “ <i>psychic distance</i> ”.	Deterministic models; not all companies internationalize in a sequential manner through stages. The born-global firms are an example of a contradiction to these theories.	Johanson and Vahlne (1977, 1990, 2009); Johanson and Wiedersheim-Paul (1975).
	<b>Innovation-related Models</b>	Internationalization occurs by evolutionary steps through subsequent learning of the management team.		Cavusgil (1980); Gankema <i>et al.</i> (2000); Leonidou and Katsikeas (1996).
<b>The Network Approach</b>		Internationalization through the establishment of relationships (interdependence of businesses).	Doesn’t explain the internationalization of firms that don’t belong to business networks.	Johanson and Mattsson (1988); Johanson and Vahlne (2009).
<b>The RBV Approach</b>		Firms’ competences and resources as competitive advantages for internationalization.	Ignores the influence of external factors to the company.	Baird <i>et al.</i> (1994); Bloodgood <i>et al.</i> (1996).
<b>International Entrepreneurship</b>		Entrepreneurs’ characteristics and experience as competitive advantages for the basis of internationalization.	Static approach, centralized around the idea of an individual.	Andersson (2000); McDougall <i>et al.</i> (1994).



Concluding, all theories explain the different perspectives on the process of international expansion faced by firms, which is the intention of the company being studied.

## **2.5.Foreign Markets and Entry Mode Selection**

International market selection, as well as entry mode selection, are considered the most important decisions regarding the internationalization process of an SME and the most critical factors for a firm's success abroad (Musso and Francioni, 2014).

### **2.5.1. International Market Selection (IMS)**

An important step to take into account when establishing/expanding international activities is the seek for attractive foreign markets, once this is a pronouncement that sets the pace and tone of the entire internationalization strategy (Kumar *et al.*, 1994).

Regarding IMS, as Papadopoulos and Denis (1988) denoted, exist two main traditional perspectives in the literature: (1) a systematic approach, using a formalized decision process including various statistical methods to analyse the potential of target markets; and (2) a non-systematic approach, without a rational and sequential process, suggesting the use of “rules of thumbs”, such as selection of foreign markets that minimize the perceived “psychic distance”.

The systematic approach has many points of similarity with a rational decision-making process, which describes how decisions *should* be made rather than how decisions *are* made (Andersen and Buvik, 2002). This approach is characterized by a detailed market research with the following goals: identify attractive foreign markets for the products of the company; make an assessment of sales potential in each selected market(s); and, ultimately, reduce uncertainty, define solutions, and determine appropriate marketing strategies (Cavusgil, 1985).

In that sense, it becomes relevant to make an analysis of rational models for IMS existent in the international business literature. Considering the existent diversity of models (Kumar *et al.*, 1994; Musso and Francioni, 2014), this paper will only focus on the study of two models: the Cavusgil (1985) process for potential foreign markets research, and the Brewer (2001) country market selection model.

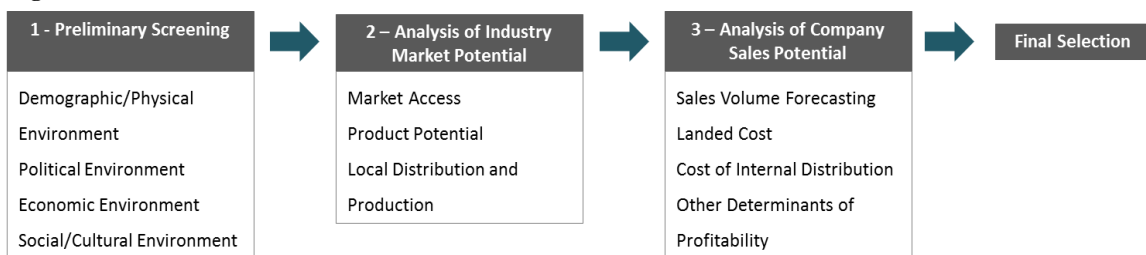
The first model (*cf.* Figure 1) is described as a process for analysing foreign market opportunities, allowing to eliminate many unsuitable countries from a large set of alternatives. It is composed by three different stages:

Stage 1 – Preliminary screening for markets in attractive countries: the objective is to select the most attractive countries to analyse in detail; involves the use of statistical data in order to define the demographic, political, economic and social/cultural environment of each country.

Stage 2 – Analysis of industry market potential: involves assessing industry market potential for each selected foreign market; factors to be studied include market access (tariffs, import regulations, standards, etc.) and risks, product potential (consumers’ needs, competition, etc.), and local distribution and production (availability of intermediaries, availability of manpower, transportation, etc.).

Stage 3 – Analysis of company sales potential: involves assessing company sales potential in those countries that prove promising based on the previous stages; must be addressed the sales volume forecasting, landed cost, cost of internal distribution and other determinants of profitability.

**Figure 1 - IMS Model**

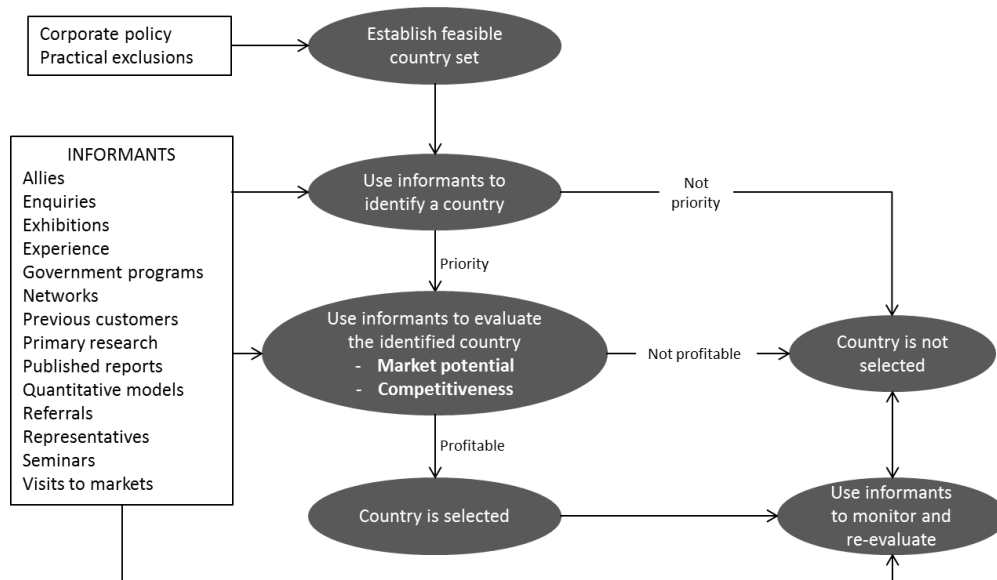


Source: adapted from Cavusgil (1985)

On the other hand, the Brewer (2001) model (*cf.* Figure 2) was developed with basis on the study of a set of Australian firms. This model is structured into four different steps, which are backed up by a detailed analysis of a group of variables (the “informants”), in order to evaluate country attractiveness and the firm’s competitive position. In a first stage, firms establish their feasible country market set. Then, informants, which are the accumulation of knowledge using a number of sources and channels, help managers to identify a potential new country to expand operations. The third stage involves an

evaluation of the countries (following an accorded priority) in terms of market's attractiveness and firm's competitive position. Finally, if the country meets the firm's profitability objective, the country is selected and resources for market entry are allocated.

**Figure 2 - IMS Model**



Source: adapted from Brewer (2001)

The following table synthetises the main characteristics of the two models, as well as the main advantages and limitations.

**Table 5 - Comparison between IMS Models**

Model/ Author	Characteristics	Advantages	Limitations
Cavusgil (1985)	Formed by three different stages, in order to analyse foreign market opportunities.	<ul style="list-style-type: none"> <li>▪ Easy access to the data needed</li> <li>▪ Easy appliance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Only addresses information that can be collected from data banks.</li> </ul>
Brewer (2001)	Structured in four different steps, backed up by a set of “informants”, with the objective to make judgments regarding markets attractiveness and firms’ competitive position.	<ul style="list-style-type: none"> <li>▪ Takes into account company’s policies</li> <li>▪ Makes use of a set of data of several types</li> <li>▪ Informants are used to re-evaluate countries as environments change</li> </ul>	<ul style="list-style-type: none"> <li>▪ Judgements are difficult and subject to errors</li> </ul>

Analysed the models, it is recognizable that a systematic decision process is a bounded rational decision since it is constrained by a set of factors associated to the decision maker (Papadopoulos and Martín Martín, 2011): cognitive limitation, limited amount of time for decision making, amount of market information available, and imperfections of the existing decision-making models. In fact, the features of the person(s) in charge of selecting foreign markets affects the effectiveness of the decision process and some of the competencies needed are only collected through experience and refined by practice (Papadopoulos and Martín Martín, 2011). Therefore, the demanding knowledge required and the intrinsic complexity of the process itself means that few decision makers have enough skills to carry out a systematic IMS. Indeed, few managers, and particularly in SMEs, do not adopt a systematic IMS (Westhead *et al.*, 2001), because of the reasons exposed previously or, simply, because many firms expand internationally on an opportunistic/non-rational way (Bilkey, 1978; Ellis, 2000).

One example of a decision based on an unsystematic approach is the use of “psychic distance” (language, culture, political systems, level of industrial development, etc.) as a procedure in the choice process (Johanson and Vahlne, 1977, 1990, 2009; Johanson and

Wiedersheim-Paul, 1975). “Psychic distance” can often result in targeting a market limited to the firm’s immediate neighbours, since geographic proximity is likely to imply more knowledge about the foreign markets and greater ease in obtaining information (Papadopoulos and Denis, 1988).

### **2.5.2. Entry Mode Selection (EMS)**

Despite EMS being considered separately from the previous choice, they are two decisions that should be regarded as being part of the same decision process (Koch, 2001), once there is a group of internal and external factors which can make a particular entry strategy not work the same way across different countries (Root, 1994). Therefore, should exist a sequential and integrated analysis of both decisions in order to have the most efficient and reliable strategy for internationalization.

As Root (1994) suggests, the factors that influence EMS are divided between external and internal factors. The external factors include target country and home country factors that may encourage or discourage a particular entry mode. Factors associated to both target country and home country conditions are divided between *market factors* (sales potential, competitive structure, marketing infrastructure), *production factors* (raw materials, labour, transportation, communications, etc.) and *environmental factors* (government policies, cultural distance, political risks, etc.). On the other hand, how a firm responds to external factors in choosing an entry mode depends on internal factors, which are divided in *product factors* (differentiation, pre- and post-purchase services, technologically intensive products, level of product adaptation needed to be marketed abroad) and *resource/commitment factors* (size and resources - managerial, capital, technology, production skills and marketing skills; target objectives; willingness of commitment to international business; attitude toward risks).

Regarding the different entry modes available to managers and entrepreneurs, Cateora *et al.* (2013) identify four possible alternatives: (1) exporting, (2) contractual agreements, (3) strategic alliance, and (4) direct foreign investment. Next, a detailed analysis of each mode is made regarding their features, advantages and disadvantages.

### ***(1) Exporting***

Exporting is the most preferable way to go international, due to the lower exposition to risks and, simultaneously, to the lower levels of resources commitment – financial, human, marketing and time (Cateora *et al.*, 2013; Root, 1994). In this group four different entry modes stand out: direct exporting, indirect exporting, internet, and direct sales force.

Through *direct exporting*, the company sells to a foreign customer, who may be an agent/distributor (Cateora *et al.*, 2013). This mode offers to the company an active penetration of international markets, by allowing a greater control over marketing plan (distribution, pricing, promotion, etc.), more and quicker access to feedback from the foreign market and better protection of trademarks and other intangible property (Root, 1994). This type of exporting relies on the use of a foreign distributor/agent, which may have or not exclusive distribution arrangements. In the situation of exclusive distribution, it gives the exporting company more control over channel activities (Root, 1994), but some conflicts may arise due to the dependency relationship, especially in the situation of expanding to unknown markets. Also, distributors are independent companies with their own objectives and strategies which sometimes may enter in conflict with the exporting company objectives (Lima *et al.*, 2013).

Moreover, the costs associated with this mode are much higher when compared with *indirect exporting*. Through indirect exporting the company sells to an importer or distributor in the home country (Cateora *et al.*, 2013). By using indirect channels, a company shares its risks and costs with another company, which is the most suitable option when the knowledge and experience regarding international markets is very limited (Root, 1994).

The *internet* is becoming increasingly important as a foreign market entry mode, since several companies started to receive online orders from foreign countries. This is an almost effortless method that should not be ignored as an alternative market entry strategy (Cateora *et al.*, 2013).

The last mode of this group is *direct sales*, which represents the creation of a sales force of the company in the foreign country. Create a direct sales force in foreign countries

may be necessary for high-technological companies and big industrial products (Cateora et al., 2013), that demand a closer attention a greater control over activities and post-sale services.

Table 6 summarizes the main characteristics of these entry modes.

**Table 6 - Exporting: advantages and disadvantages**

Entry Mode		Advantages	Disadvantages
Exporting	<i>Direct Exporting</i>	<ul style="list-style-type: none"> <li>▪ Greater control over channels of distribution</li> <li>▪ Better protection of trademarks and other intangible property</li> <li>▪ Reduced risk</li> <li>▪ Easy to enter and leave markets</li> <li>▪ Allows the accumulation of knowledge on target markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ High transportation costs</li> <li>▪ Customs fees</li> <li>▪ Possible conflicts with the distributor</li> </ul>
	<i>Indirect Exporting</i>	<ul style="list-style-type: none"> <li>▪ Shared risks and costs</li> <li>▪ Avoids dealing with the exporting process and requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lower control over distribution and marketing</li> <li>▪ Doesn't create the possibility to learn about the foreign market</li> </ul>
	<i>Internet</i>	<ul style="list-style-type: none"> <li>▪ Fast communication</li> <li>▪ Easy access to orders</li> </ul>	<ul style="list-style-type: none"> <li>▪ Security problems</li> <li>▪ Transport costs</li> <li>▪ Customs fees</li> </ul>
	<i>Direct sales force</i>	<ul style="list-style-type: none"> <li>▪ Greater control over activities</li> <li>▪ Possibility of post-sale services</li> <li>▪ Direct contact with markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Costs associated with maintaining a foreign team</li> </ul>

Source: adapted from Cateora *et al.* (2013) and Root (1994)

## **(2) Contractual Agreements**

This entry mode generally involves the transfer of knowledge (technology, processes, trademarks, and/or human skills) rather than equity (Cateora *et al.*, 2013). It can be divided in two modes: licensing and franchising.

Through *licensing*, the company transfers to a foreign entity for a defined period of time the right to use its industrial property (patents, trademark rights, know-how, etc.) in return for royalties and/or other forms of payment (Cateora *et al.*, 2013). The major advantages of this entry mode are more relevant when a company benefits from avoiding import barriers that increase the cost or limit the quantity of exports to the target market, when a target country presents both import and investment restrictions; or as a low-commitment entry mode especially attractive to small manufacturers with

scarce capital (Root, 1994). The major risks and disadvantages associated to licensing include: choosing the wrong partner; quality and other production problems; payment problems; contract enforcement; and loss of marketing control (Cateora *et al.*, 2013).

In *franchising*, the franchiser provides a standard package of products, systems and management services, and the franchisee provides market knowledge, capital and personal involvement in management (Cateora *et al.*, 2013). It is a form of licensing that enables a company to expand quickly with low investment of capital and low political risks, while also offering the opportunity to work with motivated franchisees and foster local operations and employment (Cateora *et al.*, 2013; Root, 1994). The main disadvantages of this method are the possible limitations on the franchiser's profit and the lack of full control over the franchisee's activities, emerging the possible creation of competitors (Root, 1994).

The following table synthetises the main advantages and disadvantages presented regarding the modes licensing and franchising.

**Table 7 - Contractual agreements: advantages and disadvantages**

Entry Mode		Advantages	Disadvantages
Contractual Agreements	<i>Licensing</i>	<ul style="list-style-type: none"> <li>▪ Fast access to markets</li> <li>▪ Avoids import barriers (regulations and fees)</li> <li>▪ Allows acquiring knowledge regarding the foreign market</li> <li>▪ Low cost of development</li> <li>▪ Low risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conflicts with partners and possible creation of competition</li> <li>▪ Reduced control over quality and production</li> <li>▪ Payment and contract enforcement problems</li> <li>▪ Loss of marketing control</li> </ul>
	<i>Franchising</i>	<ul style="list-style-type: none"> <li>▪ Low financial and political risks</li> <li>▪ Avoids import barriers (regulations and fees)</li> <li>▪ Greater control</li> <li>▪ Allows acquiring knowledge regarding the foreign market</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limitations on the franchiser's profit</li> <li>▪ Lack of full control over the franchisee's activities</li> <li>▪ Conflicts with the franchisee and creation of possible competitors</li> </ul>

Source: adapted from Cateora *et al.* (2013) and Root (1994)

### **(3) Strategic Alliances**

There are several types of strategic alliances, with or without capital participation, but in its essence they are a formal contract of relationship between two or more companies



that share resources to follow a common objective (Alon and Jaffe, 2013). In this study will be developed three types of strategic alliances: strategic international alliances, joint-ventures and consortia.

*Strategic international alliances* are business relationships between two or more companies, where they cooperate out of mutual need and share risks (Cateora *et al.*, 2013). This entry mode have grown in importance over the years as a competitive strategy for several reasons: they offer the opportunity for rapid expansion into foreign markets; prompt the access to new technologies and additional sources of products and capital; enable more efficient production and innovation; and reduce marketing costs (Cateora *et al.*, 2013). Therefore, this is a mode of entry that allows both parts to eliminate each other's weaknesses, but at the same time demands high levels of commitment and trust.

*Joint ventures* are a partnership of two or more companies that have joined forces to develop a common activity or to create a separate legal entity (Cateora *et al.*, 2013). The international joint-ventures are a very attractive method, once it facilitates foreign market entry through the partition of risks, management, technology, know-how and experience that allows to obtain a certain type of competitive advantage over the international competitors, as well it assists the entry in countries with sole-ventures prohibitions and strong cultural values that difficult the positioning of foreign products (Cateora *et al.*, 2013; Root, 1994). However, several factors may contribute to the failure or success of a joint-venture: division of control, divergence of interests and objectives between partners, experience, and the extent to which knowledge is shared across partners (Cateora *et al.*, 2013; Root, 1994).

The last mode inside this category, *consortia*, is a partnership between companies, with a specific objective and limited duration, where both parts maintain their autonomy (legal and strategically). They are usually developed in order to answer big dimension projects, once it aggregates a group of companies that allows taking benefits from location and technological advantages. A consortia allows to pool management and financial resources and to lessen risks, due to the sharing of resources (Cateora *et al.*, 2013). However, it is usual to arise some frictions between partners because of cultural differences.

All the advantages, as well as disadvantages, of each strategic alliance mode are summarized in the next table.

**Table 8 - Strategic Alliances: advantages and disadvantages**

Entry Mode		Advantages	Disadvantages
Strategic alliances	<i>Strategic international alliances</i>	<ul style="list-style-type: none"> <li>▪ Opportunity for rapid expansion into foreign markets</li> <li>▪ Access to partners' <i>know-how</i> and resources</li> <li>▪ Enable more efficient production and innovation</li> <li>▪ Shared fixed costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Demanding in terms of commitment and trust</li> </ul>
	<i>Joint-ventures</i>	<ul style="list-style-type: none"> <li>▪ Facilitates foreign market entry</li> <li>▪ Shared risks, management, technology, know-how and experience</li> <li>▪ Greater control over activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Division of control</li> <li>▪ Divergence of interests and objectives between partners</li> <li>▪ High investment of resources</li> </ul>
	<i>Consortia</i>	<ul style="list-style-type: none"> <li>▪ Benefits from location and technological advantages</li> <li>▪ Shared management and financial resources</li> <li>▪ Less risks, due to the sharing of resources</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conflicts between partners</li> </ul>

Source: adapted from Cateora *et al.* (2013) and Root (1994)

#### **(4) Ownership**

This last entry mode comprises the *direct foreign investment* option, through which companies invest in or buy local firms in the foreign country, or establish new operation facilities (Cateora *et al.*, 2013). As Root (1994) presents, the advantages of direct foreign investment can be described as the following: allow the company to explore more fully its competitive advantages in the foreign market; lower costs (transportation, custom duties, and manufacturing costs) of supplying a foreign country in comparison to exporting, and increase the availability of stock when there are limits to import; foster the creation of marketing advantages due to the opportunity of a better adaptation of products features to the consumers' preferences and purchasing powers; offer the possibility to constitute a own sales force and the creation of a local-company image; at last, investment entry allows the possibility to offer a better post-sales service. Compared with the previously presented modes, the direct foreign investment requires higher levels of commitment in terms of capital, management, and other resources.

Consequently, this method is very demanding in terms of strategic planning because of its high capital requirements and exposure to risks (Root, 1994).

In Table 9 we can find the main characteristics, in terms of advantages and limitations, of this particular entry mode.

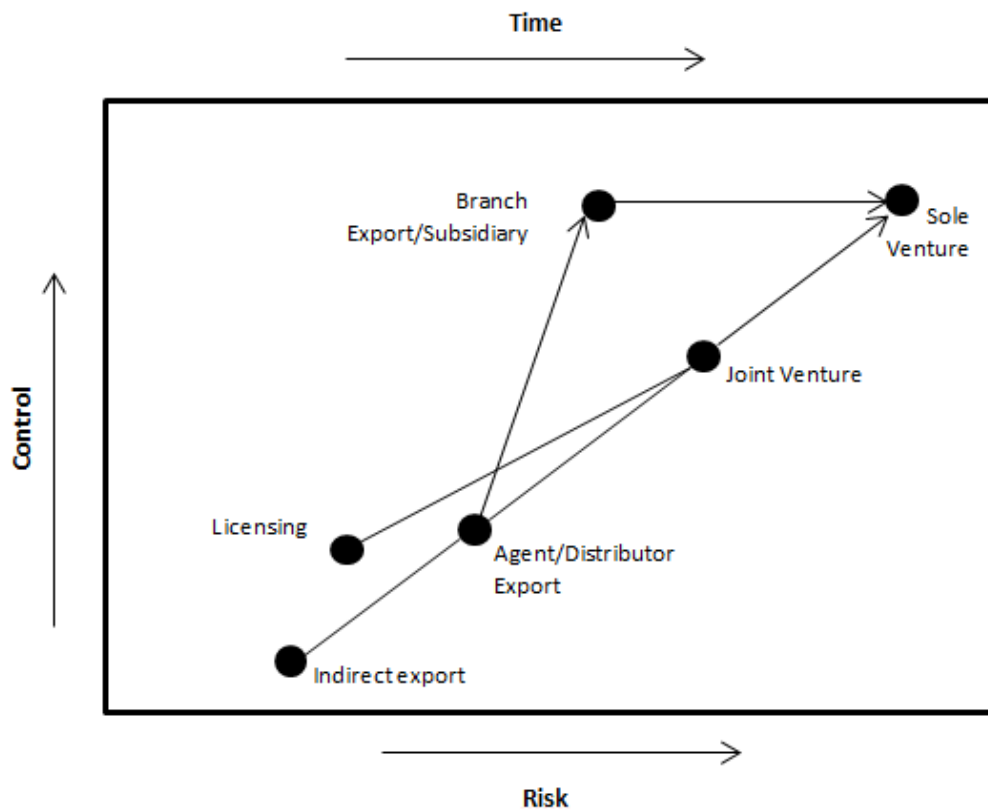
**Table 9 - Ownership: advantages and disadvantages**

Entry Mode		Advantages	Disadvantages
Ownership	<i>Direct foreign investment</i>	<ul style="list-style-type: none"> <li>▪ Complete control over investment and activities</li> <li>▪ Full exploration of competitive advantages in the foreign market</li> <li>▪ Lower costs (transportation, custom duties, and manufacturing costs)</li> <li>▪ Increase the availability of stocks</li> <li>▪ Better adaptation of products features to the consumers' profiles</li> <li>▪ Possibility to create a own sales force and a local-company image</li> <li>▪ Possibility to offer a better post-sales service</li> <li>▪ Protection of know-how and strategic assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Very demanding in terms of capital and resources invested</li> <li>▪ Exposure to several risks (e.g. political and cultural)</li> <li>▪ Integration problems in the case of an acquisition</li> </ul>

Source: adapted from Cateora *et al.* (2013) and Root (1994)

All the methods described form a continuum regarding the level of resources committed by the firm. And so, export requires the smallest commitment, opposing to the direct foreign investment which requires the greatest commitment (Gallego *et al.*, 2009). A company will gradually over time change its entry mode decision by increasingly choosing modes that provide greater control over foreign markets operations, at the same time that commits more resources and assumes more market and political risks (Root, 1994). Therefore, a company will be involved in international activities with greater control and risk, as its knowledge and experience are incremented (*cf.* Figure 3).

Figure 3 - Dynamic of EMS



Source: adapted from Root (1994)

A company's final choice regarding EMS for a given country is the result of measuring and anticipating the conflicting forces that influence this decision, and ultimately making trade-offs among alternative entry modes (Root, 1994). However, a significant number of SMEs have a passive behaviour during EMS, that is, the entry modes are not actively determined by firms, but are the result of covenants with foreign partners or the fulfilment of an unsolicited order (Musso and Francioni, 2014). In that case, we can say that there is no real choice and the adopted method is the result of a passive response to an external stimulus.

Another important branch of the international entry strategies is the international marketing plan. In fact, while the entry mode is intended to penetrate the foreign target country, the marketing plan is intended to penetrate the foreign target market and demands decisions regarding product, pricing, distribution channels, logistic and promotion (Cateora *et al.*, 2013; Root, 1994).

## **2.6. Internationalization in Business-to-Business (B2B) Environment**

Professionals operating in B2B environment face additional challenges since the demand for products or services in B2B markets is more volatile, which requires a closer analysis of the exact needs of customers (Cateora *et al.*, 2013). Besides that, the growing significance of global networks represents an additional challenge for these companies (Harris and Wheeler, 2005) that may not have the necessary knowledge or the deep customer insight (Matthyssens *et al.*, 2008).

An effective way to fight these challenges is by participating in trade shows. In fact, trade shows serve as the most important vehicle in B2B environment for selling products, reaching customers, contacting and evaluating potential agents and distributors, and marketing in most countries (Cateora *et al.*, 2013). The major advantages of trade show participation are described by Evers and Knight (2008) as the following:

- Trade shows are “neutral territory” where firms are encouraged to lower barriers to relationships, working as an important mechanism for networking building;
- Trade shows are a source of knowledge acquisition regarding foreign markets and products – exporting, competitors and product requirements for each foreign market;
- Trade shows are accelerators of internationalization, since they are a valuable source for acquiring new foreign customers through the new established network relationships.

Thus, attending to trade shows (described as a place for creating and developing relationships) represents to SMEs an important and effective network infrastructure for international growth and expansion.

Another important tool in B2B international marketing is the use of Information and Communication Technology (ICT). Even though the use of ICT by SMEs in international operations still being reduced, the benefits of this was studied by Moen *et al.* (2008):

- The use of ICT facilitates the access to information and the development of knowledge, reducing entry barriers for SMEs.

- The use of ICT is a cost-efficient way to maintain and develop long-term customer relationships in international activities.
- The use of ICT is more general and important in newly established firms.

With this we can conclude that the advances in the globalization of information and technologies brought to companies and marketing professionals operating in a B2B environment many opportunities to create and develop knowledge regarding international businesses, which will be fundamental in the development of an internationalization strategy.

## **2.7. Conclusions of the literature reviewed**

At this point, we are able to answer the questions *“How to select a market(s) for the international expansion of a SME?”* and *“how to design an entry strategy for the selected market(s)?”*.

Firstly, when designing an internationalization strategy, all SME should determine concretely the motivations underneath this decision and what barriers they are most likely to find. This is an exercise that defines the process, once it establishes each company’s openness to take risks, in particular the advertence of the management team.

The theories and models founded in internationalization literature offer us a big diversity of focus and each one of them intends to explain how the process occurs in the case of SMEs. We have seen the internationalization process defined based on the existence and combination of three different forces – ownership, location and internalization – in the Eclectic Paradigm; and, in the case of the Stage Models (Uppsala and Innovation-related Models), characterized as an evolutionary process that takes place through different stages as consequence of the accumulation of learning regarding the foreign markets. Another theory, the Network Approach, focus on the role of business networks in the foreign countries as the main “trigger” for internationalization, while the Resource-based view Approach emphasizes the competitive advantages provided by firms’ resources and competences as an export stimuli. At last, the International Entrepreneurship theory stands out the entrepreneur, its characteristics and experience, as the main responsible for the internationalization process.

More concretely, when designing an internationalization strategy, SMEs face the following decisions as the most important choices of the process: international markets selection and entry mode selection. Despite these two decisions being considered separately, they are dependent between them, once they define the entire pace of the strategy. On the selection of foreign countries for international expansion, there are two main approaches that can be followed: on one hand, a systematic one, where companies make use of a rational decision process based on models and statistic methods, like the Brewer (2001) and the Cavusgil (1985) models studied; on the other hand, a non-systematic approach that makes no use of formalized decision processes and is based on following instincts or particular situations of the company.

Regarding the entry strategy, this involves the selection of an entry mode which depends on several factors linked to both target and home countries, as well as to the internal situation of the organization. That being said, companies can follow four different alternatives: exporting, contractual agreements, strategic alliances and ownership.

Finally, when a company operates in a special context, like in business-to-business environment, there are additional challenges and new alternatives that must be more contemplated than in other cases. Attendance to trade shows in the target country and the use of information and communication technologies are two strategies increasing their importance to SMEs' international expansion in the B2B context.

All these particularities associated with the internationalization of SMEs, justify the real need of these firms to develop a structured and coherent strategy for their international expansion.

The literature review is made in order to give the first step in the development of an internationalization strategy for the company under study. It gives us the bases and the insights to create a strategy for CPC, a Portuguese SME, that operates with its core product, OleoTest<sup>®</sup>, in a B2B environment. In the following stages of the present study we will make use of the insights provided by the literature, applied to the specific characteristics of the CPC and OT (a SME, with limited human resources and knowledge on international markets, and operating in B2B context), to make an analysis

and pre-selection of market(s) by using the rational decision model proposed by Brewer (2001), as well as to define an entry strategy to the selected market(s). Through this, we intend to answer the case study questions defined in the introduction chapter: *“Which European market(s) to select for OleoTest<sup>®</sup> international expansion?”* and *“which strategies to use for entering the selected market(s)?”*.



### **3. Company and Product Presentation**

The present section includes a description of the company and, in particular, of the product subject of internationalization. The objective of this chapter is to better understand the company, the product, the path that it has been following over the years and that ultimately leads to a more exact international expansion strategy formulation.

The information presented was obtained through multiple informal interviews to CPC's CEO – Eng.<sup>a</sup> Inês de Castro (PhD) - (c.f. Annexe I), firm's reports and independent research through official websites.

#### **3.1. Castro, Pinto & Costa, Lda.**

##### **3.1.1. Brief Presentation**

Castro, Pinto & Costa, Lda. (CPC) is a Portuguese company founded in the year 2000 by four students of the University of Minho. The absence of companies in the field of food safety and the incentive of professors were the main impulses for the creation of CPC, and still today the company maintains a tight relationship with the university. After 15 years of existence, celebrated in the current year, the company expanded its activities and had become a reference in business, being recognized as “*PME Líder*” (leader SME) in 2010, 2011 and 2012.

As a pioneer company in the provision of food safety services, CPC had to deal with several challenges in the inception years: lack of financial support, lack of capital for investment and growth, lack of competition in the sector and inexperience on management. However, CPC always kept a strategy of innovation and stable growth, having as main concerns the quality and innovation of the products commercialized, as well as of the services provided. Moreover, throughout these 15 years CPC accomplished multiple successful projects which are responsible for vitalizing the company. The commercial launch in 2003 of OleoTest<sup>®</sup> (OT), a measuring test that allows controlling the quality of frying oils, was the first and one of the most important conquests of the company. Nowadays, OT is the most used rapid test by Portuguese food enterprises, which allowed CPC to initiate its internationalization process. OT has truly become the brand image of CPC.

Alongside OT, the company launched a vast range of products, utensils and equipment considered essential to industrial activities, as well to the HORECA (hotels, restaurants and cafes) sector. In 2007, CPC settled at its own space in Zona Industrial da Maia, where was possible to build an IDI (investigation, development and innovation) lab with the latest generation equipment for investigation, development and analytical control of food, water, environment and hygiene-sanitary control. In the same year, CPC achieved the Certification ISO 9001, a certification of quality management systems (that has been renewed since then).

In 2015 the company concludes a process of rebranding, emerging with a new image which intends to symbolize the search for new innovation strategies and the business modernization demanded by today's business competitiveness. This image renewal is something that was already planned for a long time, more exactly since the company felt the need to reinforce its openness to the external environment: clients, suppliers, collaborators and competitors.

Nowadays, after strongly establish itself in the Portuguese market with OT, CPC craves to continue the expansion of the product to other external markets with greater *psychic distance*, like the Uppsala Model determines, specifically to European markets. CPC is a Portuguese SME operating with OT, an innovative product, in a B2B environment and within an unexplored sector. All these particularities are determinant to the company and made very appealing to create an internship with the Faculty of Economics of University of Porto in order to develop a structured internationalization strategy.

### **3.1.2. Mission**

CPC stated as mission:

- “To stimulate the sustainable development of enterprises, fostering a policy for Total Quality Management;
- Contribute to the development of human resources which will result in performance improvements of companies and organizations;
- Boost the potential innovation of business environment;
- Coordinate and promote the fostering of technologies.”

Additionally, in order to ennoble the action of the company, I purpose that its mission statement should include the specific contribute to public health, even in countries where the control of frying oil's quality is not obligated by law.

#### **3.1.3. Vision**

The company vision involves the “association of CPC to a prestigious image, consolidated by the public recognition of the value added of their products and services”. This prestigious image is the result of the public recognition, not only from clients, but also from official public entities, competitors and final consumers of CPC's products.

#### **3.1.4. Values**

The corporate values that characterize CPC's organizational culture embrace the “continuous commitment to quality and innovation of its products and services, the high qualification of human resources, the professional, business and social ethics and the respect for the environment”. These are the foundations of CPC's conduct that has been allowing the company to win a respectable image over the years.

#### **3.1.5. Strategic Business Units**

Currently, CPC's activity occurs through three integrated and complementary business units: (1) Services: provides support to client companies through consulting, auditing and professional training; (2) Laboratory: offers services of investigation, development and innovation (IDI) and analytical control; (3) Products: covers the sale of products and equipment for the food/agro sector.

#### **3.1.6. Organizational Structure**

During CPC's path, employees were and will always remain a crucial part of the company's success. The people that work at CPC are hard work professionals, dedicated, determined and that help each other. Currently the organization counts on the support of 9 employees, divided through the different business units.

CPC doesn't have a formal organizational structure with an established hierarchy. Today the company remains with only two of its original founders, which are responsible for the management of the company.

Regarding international activities, only the two founders and one employee are dedicated to that area, accumulating the job with other tasks.

### 3.2.OleoTest®

OT is an innovative product created in 2002 by CPC's founders when they acknowledged an absence on markets of quick and reliable tests to control frying oil's quality as an alternative to the official method which is very demanding in terms of lab equipment and technical knowledge. More specifically, OT is a mixture of chemical reagents for the evaluation of polar compounds formed during the frying process and that are responsible for oil's degradation. The colorimetric result of the test will tell to its user if the oil is in a safe condition to continue using it or if the oil should be discarded.

OT's chemical formula is unique and is kept in secret between its developers. The product is an innovation in this segment of business, very hard to copy and its success is due to three distinctive features: easiness of use, reliability of results, and low cost.

#### 3.2.1. The process of deep-fat frying

Frying is described as “a process of immersing food in hot oil with a contact among oil, air and food at a high temperature of 150°C to 190°C” (Choe and Min, 2007). Deep-fat frying is one of the oldest processes of food preparation used in kitchens all over the world and is currently one of the most used cooking techniques due to the unique characteristics that it offers to food in terms of taste, colour and texture. In fact, the consumption of fried food increased a lot among population mainly due to the rapidly growth of fast-food chains and street vendors in the last decade (Chen *et al.*, 2013).

During the process of deep-fat frying, due to the moisture contained in foods, atmospheric oxygen and high temperatures, several reactions take place such as hydrolysis, oxidation and polymerization (Choe and Min, 2007). These reactions change the chemical and physical composition of the used frying oils, leading to the creation of

Figure 4 - OT's instructions for use



undesirable compounds which are absorbed by food and, consequently, accelerate oil's degradation (Fernandes, 2012). The main products of decomposition created during the frying process are the polar compounds (usually known as Total Polar Materials – TPM), which were founded to be extremely harmful to health since they are responsible for damages in the cardiovascular system and may contribute for the development of lung and stomach cancer (Fernandes, 2012). Moreover, other immunological deficiencies and skin diseases can also arise due to these compounds. Once TPM are present in a higher percentage in used frying oils, this is the most commonly used and accepted parameter to monitor the quality of frying oils (Chen *et al.*, 2013).

The official method - ISO 8420:2002, *Animal and Vegetable fats and oils - Determination of content of polar compounds* - to measure TPM and for oil quality evaluation, is very complex, requires several hours, and must be developed by specialized laboratories with proper equipment (Chen *et al.*, 2013; Fernandes, 2012). Therefore, this technique isn't suitable for a small industry or vendor to use on their establishments (Chen *et al.*, 2013).

Some companies recognized this problem and developed rapid tests to measure oil quality based either on its chemical properties such as free fatty acids, iodine value, carbonyl value and the content of total polar compounds, or on its physical characteristics such as oil colour, viscosity and dielectric constant (Chen *et al.*, 2013).

The product – OT – is a colorimetric test that quickly determines the amount of TPM in frying fats, assessing oil's quality and helping the user to make a decision regarding when the oil should be discarded.

### **3.2.2. Legislation**

There is a growing concern regarding the effects of frying on the quality of food and its impact on human health. Therefore, the control of frying oil and of the deep-fat frying process itself becomes extremely important in order to reduce or eliminate the presence of harmful compounds to human health in food.

Considering this problem, several countries developed specific legislation to control the quality of frying oils by establishing legal control parameters (e.g. TPM, Free Fatty Acids - FFA, among others) that should not be exceeded in the composition of used

frying oils, while other countries leave this responsibility to the private sector by only publishing good practices recommendation guides (Firestone, 2006). However, some countries do not pay attention at all to this thematic, and do not make any accompaniment or advice to frying oil' users. Therefore, the legal regulation of frying oils is still a work in progress all over the world, as well as the need of a harmonization across countries regarding the legal monitoring parameters and their respective limits.

The following tables illustrate the current state of legislation/recommendation in several countries regarding the control of frying oils' quality.

**Table 10 - Legislation/Recommendations in European Countries**

Country	Legislation/Recommendation	Parameters	Limits	Documents
Austria	Legislation	TPM	27%	Bundesministerium für Gesundheit (2012)
		Polymeric Triglycerides	12%	
Belgium	Legislation	FFA	2,50%	Sénat de Belgique (2011)
		Polymers	10%	
		TPM	25%	
Bulgaria	NO	-	-	-
Czech Republic	NO	-	-	-
Denmark	NO	-	-	-
Finland	NO	-	-	-
France	Legislation	TPM	25%	Journal Officiel de La République Française (1986)
		Linolenic acid	2%	
Germany	Recommendation	TPM	24%	DGF (2013)
		Polymeric Materials	12%	
Greece	NO	-	-	-
Hungary	Recommendation	TPM	30%	Magyar Közlöny Lap- és Könyvkiadó (1999)
Italy	Legislation	TPM	25%	Ministero della Sanità (1991)

<b>Ireland</b>	Recommendation	-	-	Food Safety Authority of Ireland (2009)
<b>Luxembourg</b>	Legislation	-	-	Portail de L'Environnement (2010)
<b>Netherlands</b>	Legislation	DTGP	16%	Warenwetbesluit bereiding en behandeling van levensmiddelen (1992)
		TPM	27%	
<b>Norway</b>	NO	-	-	-
<b>Poland</b>	Legislation	TPM	25%	Ministra Zdrowia (2012)
<b>Portugal</b>	Legislation	TPM	25%	Ministérios da Agricultura, da Saúde e do Ambiente e Recursos Naturais (1995)
<b>Spain</b>	Legislation	TPM	25%	Ministerio de Relaciones con las cortes y de la secretaria del Gobierno (1989)
<b>Sweden</b>	Recommendation	-	-	Livsmedelsverket (2011)
<b>Switzerland</b>	Legislation	TPM	27%	Le Département fédéral de l'intérieur (1995)
<b>United Kingdom</b>	NO	-	-	-

Source: own elaboration through independent research

**Table 11 - Legislation/Recommendations in non-European Countries**

<b>Country</b>	<b>Legislation/Recommendation</b>	<b>Parameters</b>	<b>Limits</b>	<b>Documents</b>
<b>Australia</b>	Recommendation	TFA	-	Food Standards Australia (2015)
<b>Brazil</b>	Recommendation	FFA	0,90%	Agência Nacional de Vigilância Sanitária (2004)
		TPM	25%	
		Linolenic acid	2%	
<b>Canada</b>	Recommendation	TPM	24%	Restaurants Association (2010)
<b>Chile</b>	Legislation	TPM	25%	Ministerio de Salud (1997)
		Linolenic acid	2,50%	
<b>India</b>	Legislation	FFA	0,25%	Ministry Of Health And Family Welfare (2011)
<b>Panama</b>	Legislation	TPM	24%	Ministerio de Salud de la República de Panamá (2013)
		FFA	3%	

<b>Russia</b>	Legislation	-	-	Technical Regulations Of The Customs Union (2011)
<b>South Africa</b>	Legislation	TPM	25%	Minister of Health (1996)
		Polymerised Triglycerdes	16%	
<b>USA</b>	Recommendations	-	-	USDA (2012)

Source: own elaboration through independent research

### 3.2.3. Clients: who should control TPM?

This quality standard is applicable to people whose activities include the use and manipulation of heated edible oils and fats to manufacture food products. Thus, OT is perfectly suitable to the following activities:

- Food Industry
- Laboratories specialized in food safety
- Researchers of oil degradation
- Catering Industry
- Restaurants
- Street food vendors
- Official food safety control agencies – health inspectors

The company operates with OT almost exclusively in the B2B segment, when selling it to other companies that in turn sell to the final client. Besides the obvious users of OT (food manufacturers), the test can be used by official control entities/agencies during legal inspections to kitchens or industries in order to monitor the quality of frying oils. In fact, the use of OT is very attractive to these agencies since the test allows to storage the results for a long period time, serving as a legal prove.

### 3.2.4. Competition: other rapid tests

There are many rapid tests to access frying oil quality available in the market. However, these differentiate from each other mainly due to the reliability of the results obtained and to the parameter used for quality evaluation.



The following table shows the rapid tests existent in the market and their main characteristics.

**Table 12 - Competitors description**

<b>Rapid Test</b>	<b>Parameter</b>	<b>Method</b>	<b>Headquarters</b>	<b>Company</b>	<b>Supply Chain</b>
<b>3M™ Low Range Shortening Monitor (LRSM)</b>	FFA	Colorimetric strips	USA	3M	Online store and distributors
<b>3M™ PCT 120 oil tester</b>	TPM	Heating device with test strips	USA	3M	Distributors
<b>FASafe™</b>	FFA	Colorimetric test	USA	MP Biomedicals	Online store
<b>FOM 320 Food Oil Monitor</b>	TPM	Electronic device (results displayed on screen)	Germany	Ebro	Distributors
<b>Fritest™</b>	Carbonyl compounds	Colorimetric test	Germany	Merck Millipore	Online store and distributors
<b>MQuant™</b>	FFA	Colorimetric strips	Germany	Merck Millipore	Online store and distributors
<b>Oxifrit - Test™</b>	Oxidized Fatty Acids (OFAs)	Colorimetric test	Germany	Merck Millipore	Online store and distributors
<b>Testo 270</b>	TPM	Electronic device (results displayed on screen)	Germany	Testo	Online store and distributors
<b>Veri-Fry™</b>	TPM	Colorimetric test	USA	Libra Technical Center, LLC	Online orders
<b>VeÓleo</b>	TPM	Colorimetric test	Portugal	CFPSA	Online stores and partners

Source: own elaboration through independent research

Taking into account exclusive information that the company holds, CPC knows that some tests, despite the information that still appears online, are not commercialized in the present, which is the case of Veri-Fry™ and VeÓleo. Other products do not possess the proper standards of reliability. So, due to information and indication of CPC, the

competition analysis was made considering the following three products: 3M<sup>TM</sup> LRSM, FOM 320 and Testo 270.

These products have the same purpose that OT, that is, they were designed to monitor the quality of frying oils despite the method being very different from OT. In the case of 3M<sup>TM</sup> LRSM, the test is made by immersing a colorimetric strip into the oil, which ultimately determines the level of FFA. This is a different method and parameter from OT, but very popular among users due to the low price of the strips. Other differences among the products are developed in the following table.

**Table 13 - Differentiation between OT and competitors: 3M<sup>TM</sup> LRSM**

OleoTest®	3M <sup>TM</sup> LRSM
Tests the presence of polar compounds resultant of frying oil degradation	Tests the quantity of FFA in used frying oils, which are responsible only for modifications on the acidity level
Direct measure of frying oils' degradation level	Represent only an indirect measure of polar compounds
No particular storage condition needed	Needs storage at low temperatures
Results with oil at any temperature	Requires the use of hot oil
No risk of oil contamination	Direct contact with oil
Enlarged scale of results, which allows a better reading of results	Less reliable reading of results

The other two products, FOM 320 and Testo 270, are exactly the same from a functional point of view. Both are electronic devices that measure the presence of TPM in used frying oils, that is, a direct measure of oil degradation as OT. The main difference between OT and these competitors is on the method, price and extra maintenance after using. These and other additional differences are considered in the next table.

**Table 14 - Differentiation between OT and competitors: FOM 320 and Testo 270**

<b>OleoTest®</b>	<b>Electronic devices – FOM 320 and Testo 270</b>
Doesn't need any calibration	Need of several calibration processes (extra costs)
Easy maintenance and storage	Risk of damage
Stable reagent	Device influenced by humidity
No risk of oil contamination	Direct contact with oil
No need of special care after making the test	Mandatory cleanness of the device
Economic price	High price

### **3.2.5. International Markets**

The commercial launch of OT was made in 2003 and through the years the product had become the true brand image of CPC. The success of OT and dominance in the Portuguese market, allowed the company to initiate its internationalization process in 2006 through exporting to countries psychically close - Spain and France –, as defended in the Uppsala Model. The initialization of the company exports allowed it to enter into business networks in those countries and develop exclusive contracts with distributors. These exclusive relationships, as the Network Approach suggests, were fundamental for the company continue the expansion of OT to other countries, in particular South Africa and Turkey. Following this reasoning, OT is nowadays sold in several countries like Austria, Belgium, Greece, Italy, Panama, and Poland. In terms of values, currently OT's export represents 25% of the company total income.

The company always elected the same internationalization entry mode, that is, direct exporting was always the privileged method through the use of an international agent/distributor. Over the years, the relationship with these agents evolved, due to the special dedication that CPC always offers, and some of them have become exclusive distributors in some countries. This exclusive distribution means that the sale of OT on that specific country occurs exclusively through that agent. The countries and type of relationship between CPC and distributors are detailed in the following table.

**Table 15 - OT's international distribution**

Relationship with Distributors	Countries	Existence of Legislation/Recommendation
Exclusive National Agents	Spain	Yes
	France	Yes
	South Africa	Yes
	Panama	Yes
	Poland	Yes
	Turkey	Yes
No Exclusivity	Austria	Yes
	Belgium	Yes
	Greece	No
	Italy	Yes

The distributors and agents with exclusive relationship have total control over promotion, price and distribution of OT. This situation significantly decreases the control of CPC over the location and communication strategy of the product. Reports from distributors to CPC are not known at this point. This is a situation that the company doesn't intend to repeat in new relationships.

In the other countries, without exclusivity, CPC has some residual sales and limited knowledge regarding the market.

As seen in the previous chapter, the diversity of theories explaining the process of internationalization is recognized in the literature. However, we believe that all theories previously described have particularities that can be used to understand the case of CPC's internationalization, and in particular of OT. The following table describes the main points of resemblance between the theories and the internationalization of the company in study.

**Table 16 - Resemblance points of each theory with CPC/OleoTest® case**

Theory	Resemblance Points
<b>The Eclectic Paradigm</b>	The importance of ownership advantages, which in the case of CPC provide from the differentiation characteristics of OleoTest®. Also, OleoTest® is the result of an innovative formula kept in secret by its developers, which offers a valuable and inimitable source of competitive advantage.
<b>The Stage Models: Uppsala and Innovation-related models</b>	The internationalization process of OleoTest® began with exports to physic and psychologically close countries, in order to control risks. The internationalization occurs as a sequence of learning by CPC's administration, being each step an innovation to the company. All the experience and knowledge previously accumulated is what now motivates the company to make a bet on more distant markets.
<b>The Network Approach</b>	Having an exclusive relationship with international distributors in Spain and France was fundamental to initiate the internationalization of OleoTest® to other countries, like South Africa. Partnerships are very important to OleoTest® internationalization, since they work as source of credibility.
<b>RBV Approach</b>	OleoTest® has rare, valuable and inimitable characteristics which provide competitive advantages to the company in the international markets.
<b>International Entrepreneurship</b>	The founders of CPC and creators of OleoTest® are innovative and ambitious people, with a strong orientation towards international grow. These characteristics are crucial to the growth of the company beyond borders.

This assessment of resemblance points between the theories and OT's case is important to understand what has been the path adopted by the company, which ultimately delineates the internationalization strategy.

## 4. Methodology

In this chapter, a review on the main aspects of this case's methodology is made.

The study's methodology falls within the domain of a case study, once its focus is on an existent phenomenon in a real-life situation (Yin, 2009). Moreover, case studies are suited for three purposes – explore, describe and explain a set of real-life events that are too complex and in which are involved several factors (Ghauri and Gronhaug, 2010; Yin, 2009). Therefore, by using this methodology we intend to study a particular situation, in a deep and inclusive manner, in order to obtain important insights.

In order to answer the research questions, we propose to develop a qualitative research to analyse and present an international expansion strategy that better fits the case study of the company CPC and the product OleoTest<sup>®</sup>. Considering that the particular theme of the study is associated to international business research, case study methodology is well suited for that, once it has the potential to develop the understanding on the research phenomenon by avoiding cross-border and cross-cultural conflicts between different countries (Ghauri and Firth, 2009). Additionally, this method allows the possibility of direct observation and interaction as an efficient way to have sufficient information to characterize and explain the unique features of the case (Ghauri and Firth, 2009; Yin, 2009). The internationalization strategy is developed with basis on company's reality and real-life events, and through direct and participant observation, that is, the internship developed at CPC.

This case study follows the structure recommended by Yin (2009) which is developed through the following stages:

### 1- Case study design

In a first stage, it becomes relevant to analyse and study the theory underlying the study's theme, in order to better understand its complexity and create a structured plan to the case study.

For the present case study were defined the following research questions: “*Which European market(s) to select for OleoTest<sup>®</sup> international expansion?*” and “*which strategies to use for entering the selected market(s)?*”. The theory developed in the

previous chapter was designed to find general insights on the theme applied to SMEs, which ultimately will assist on following development of the case study and answer the research questions specific to CPC and OT case.

## 2- Collecting case study evidence

In the second stage of a case study construction, the research phase is materialized through the collection of data regarding the theme. According to the author, in a case study is possible to use multiple sources of evidence that can be collected internally (documentation, archival records, interviews, direct observation, and participant-observation) and/or externally (databases, institutional websites and other institutions).

More concretely, in a first stage of this study, we make use of internal reports, direct and participant observation through the internship, and informal interviews with CPC's CEO (*cf.* Annexe I) in order to make a diagnosis of the company (which includes the motivations, desirable positioning, internal and external analysis). Next, when applying a model for countries selection, several external sources will be used which include reliable databases like Eurostat, World Bank, OECD Statistics, The Economist Intelligence Unit and Fediol. To the design of an entry strategy, independent research was made through several companies' websites to develop a list of potential clients. Finally, in order to create a list of recommendations specific to each country, institutional sources, like AICEP and Santander Trade Portal, will be fundamental.

## 3- Analysing case study evidence

In terms of contents' analysis, it is made by following the theoretical propositions that led the entire study. The propositions help to focus on certain data and eliminate other, while at the same time it organizes the entire case study and defines alternative explanations to be examined.

Therefore, contents' analysis in this study will be made by observation and triangulation, which is a specific rationale that allows confirming data validity by using multiple sources of evidence (Yin, 2009). This technique allows to structure, classify and confirm data validity, at the same time that assures case study's quality.

#### 4- Reporting case studies

From the previous stages, much information became available. After the analysis and review of all information, this final step consists on the development of conclusions, recommendations and limitations. For this particular case, it is the construction of an international expansion strategy for the company and the product being studied.

Therefore, case study is a relevant research method that allows directing the research to a well-defined object, proposition and issue, while at the same time it assumes the global application of the case.



## **5. The Internationalization Process**

This chapter is divided into four different sections. The first (Section 5.1) is dedicated to a diagnosis of CPC regarding internationalization, focusing on the product OT. The main objective is to understand the motivations and goals of the company towards internationalization, and to define the competitive position of the product in international markets by making an internal and external analysis of the company that culminates in a SWOT matrix and on the definition of the desirable strategic positioning.

Next, in Section 5.2, an assessment of the main opportunities for international expansion is made in order to propose a set of countries that fits company's goals and desirable position. The pre-selection of markets is followed (in Section 5.3) by the design of a penetration strategy for those markets.

Finally, in the last section of the chapter (Section 5.4) is developed a strategy for approaching the pre-selected markets, where a set of actions are defined in order to guide the company through its international expansion.

### **5.1. Company Diagnosis**

The final objective of this study is to develop an internationalization strategy for CPC. Having that in mind, in this section we make a diagnosis of the company in order to better understand its competitive advantages and positioning towards international expansion.

#### **5.1.1. Motivations**

The management team of CPC has as global strategy to reaffirm the company positioning in foreign markets, by increasing the network of countries to where products are exported. This ambition depends a lot on the internationalization of OT.

As seen in the literature, the reasons guiding a company towards internationalization can be multiple and simultaneous. Therefore, the initial step of this diagnosis involves an assessment of the main motivations behind the internationalization of OT, considering the global strategy and objectives of the company.

The economic and financial crisis had a strong impact on CPC. Domestic consumption suffered significant losses, which was reflected in the results, and the company was obligated to search for additional opportunities. Therefore, the main motives for OT's internationalization are strongly connected to the need of increase company's sales and diminish its dependency on domestic performance. Herewith, on the long-term CPC aims to increase its competitiveness, while at the same time making improvements on its financial and economic performance.

Also, considering the unique *know-how* that the company possess around OT, this constitutes a strong motive to explore this distinctiveness in foreign countries. Moreover, the company aims to develop reputation and credibility in international markets through the recognition of OT as a reliable brand among its clients and users.

### **5.1.2. Strategic Position**

The strategic position is concerned with the impact of organization's strategic capability (resources and competence) and of the external environment on a certain strategy. To analyse this impact, is important to make an analysis of company's internal environment to identify strengths and weaknesses and of its external context in order to identify opportunities and threats. Those components will then be confronted in a SWOT matrix and strategic options will be formulated.

## **1. INTERNAL ANALYSIS**

As saw in the literature review, the RBV approach defends that the distinctiveness of a firm's resources and competences are a source of competitive advantage for an internationalization strategy. OT is an innovative product meticulously developed by CPC to fill up a gap existent in the food safety sector. Therefore, OT has several characteristics that constitute a source of competitive advantages to the company in international markets and also to other agents. Next, these capabilities will be assessed in terms of value, rarity, imitability and organization through a VRIO analysis.

### **Value**

OT is an innovative product with reliability validation from several independent institutions (e.g. University of Minho and University of Panama). The product had truly become the brand image of CPC over the years. It is the only product completely

developed by the company and number one in sales. In fact, OT sales represent 25% of the company's income.

Despite the value to the company, OT offers advantages to several others agents/users:

- Official food safety control agencies – OT is used as a legal prove of inspections to frying oils in food establishments.
- Food establishments and operators – OT offers a fast, reliable and economic way to determine and prove the quality of frying oils. And so, food establishments and operators can guarantee to its consumers the best quality food.
- Oil filtration companies – OT offers to companies selling oil filtration systems the possibility of guaranteeing the best performance of their products, by using OT as a way to reassure oils' quality.
- Oil researchers and laboratories – OT has the best correlation with the official method (ISO 8420:2002), when compared with other rapid tests.

### **Rarity**

OT's chemical formula was developed by CPC founders and kept in secret between them. This means that the formula is unique and different from any other. Moreover, OT is a registered brand.

### **Imitability**

This criterion is closely linked to the previous one, in the case of CPC and OT. The rarity of OT, due to its secret formula, makes it inimitable to competitors. This is the biggest competitive advantage of OT, once it makes impossible to competitors to copy the chemical formula of the product without major spending of financial and time resources on research and development.


### **Organization**

The organizational structure of the company and its control mechanisms must be aligned in order to maximize the competitive advantages of the resources and competences. CPC has a formal structure, where all the authority is centred on CPC's founders, and all activities are reported to them. Despite that, CPC remains very informal in the remaining operational activities, particularly in the reporting system. It

is important to stand out the absence of reports between the company and OT's international distributors. This situation is translated into a lack of control of the company regarding OT's distribution and marketing.

The VRIO analysis suggests the combination of the four criteria to evaluate competitive advantage and its implication on performance, as seen in the following table.

**Table 17 – VRIO Analysis**

Valuable?	Rare?	Difficult to Imitate?	Supported by Organization?	Competitive Implications	Implications on Performance
No	-	-	No	Competitive disadvantage	Below normal
Yes	No	-		Competitive parity	Normal
Yes	Yes	No		Temporary competitive advantage	Above normal
Yes	Yes	Yes		Unexploited competitive advantage	Above normal
Yes	Yes	Yes	Yes	Sustainable competitive advantage	Above normal

Source: adapted from Barney and Hesterly (2008)

Considering this, we can say that CPC is on a position of unexploited competitive advantage, that is, OT offers valuable, rare and inimitable characteristics but there is a lack of organizational support to these features. This means that the company is not having the best approach on protecting the distinctiveness of OT, especially in the relationship with exclusive foreign distributors where the control over activities is null.

## **2. EXTERNAL ANALYSIS**

The external environment of the company also has an impact on its strategic position, and making an analysis of the context surrounding the company allows identifying the main opportunities and threats.

In terms of industry (or sector), the Porter's Five Forces framework makes possible to analyse OT's industry structure, identifying its attractiveness and competitive intensity in terms of five competitive forces: the threat of entry, the threat of substitutes, the

bargaining power of buyers, the bargaining power of suppliers and the extent of rivalry between competitors.

#### **Threat of entry (barriers to entry)**

The main existent barrier to enter in this sector of frying oil quality control tests is the investment of funds on scientific investigation for the development of new tests. Moreover, the quality of tests must be continuously assured, which is made by investments on reliability validations made by independent institutions (e.g. universities and renowned laboratories). Additionally, the access to distribution channels is very limited. For these reasons, there is not a relevant threat in terms of new entries in this industry.

#### **Threat of substitutes**

Oil filtration systems with a better price/performance ratio constitute a risk of substitution to OT, especially when the control of frying oils is not mandatory by law (that is, when there are not legal TPM parameters to fulfil required by law).

#### **Bargaining power of buyers**

OT's immediate customers, not necessarily the ultimate consumers, are well informed about the existent products in the markets, which increase their bargaining power. Also, they have low costs associated in case of switching supplier. Moreover, is important to notice that there are differences in terms of buyer's bargaining power when in certain country the control of frying oils is obligated or not by law.

#### **Bargaining power of suppliers**

The suppliers for OT's production are suppliers of chemical reagents, with no relevant bargaining power once they are not concentrated and the cost of switching supplier is low.

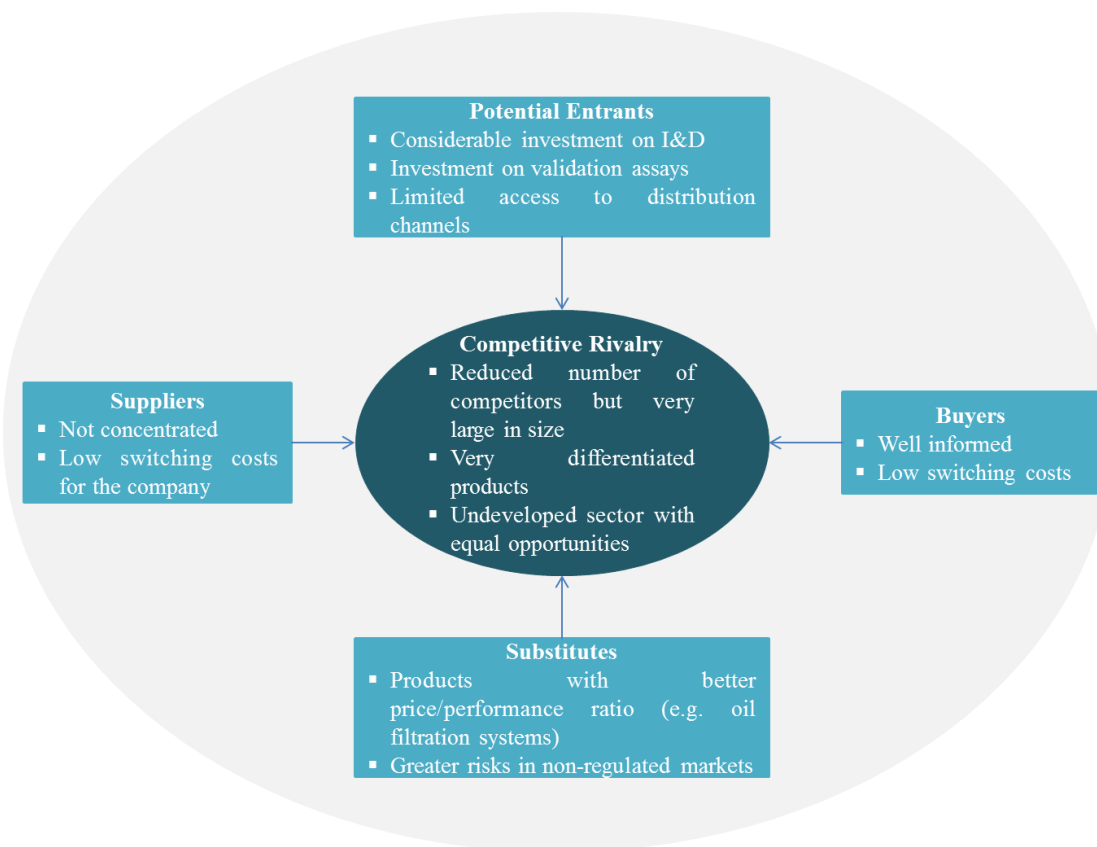
#### **Competitive rivalry**

In the domestic market, OT is the absolute leader of sales. Internationally, as seen the previous chapter of company's presentation, there are three companies offering products that are direct competitors of OT. They are: 3M with 3M<sup>TM</sup> LRSM, Testo with Testo 270 and Ebro with FOM 320.

These companies are very different in size from CPC. They are multinational companies with more aggressiveness, which increases the rivalry. However, the differentiation between products, as seen previously in Tables 13 and 14, is very significant which gives some advantages to OT. Moreover, frying oil control remains a sector still under development in food safety control, which makes opportunities for markets' penetration very equal for all companies. But in the cases where frying oil control is obligated by law, there are considerable differences in the power of competitors.

That being said, the diagram below summarizes the structure of CPC's competitive environment focusing on the product OT.

**Figure 5 - Porter's Five Forces applied to OleoTest®**



Now, focusing on the environmental influences, the PESTEL framework categorises them into six main types: political, economic, social, technological, environmental and legal. The exercise of this framework helps to identify the environmental factors likely to have a high impact on the success or failure of a strategy.

For CPC, the PESTEL framework will be developed focusing only on the business of OT and in the European market since it is the objective of the study.

### **Political factors**

- No restrictions in the European Union (EU) market due to the free circulation of goods.
- No need in the EU for product adaptations regarding classification, labelling and packaging.

### **Economic factors**

- EU's growing GDP: 13 920 541 millions of euros in 2014 (Eurostat, 2014).
- Unemployment rate in EU is starting to recover from the financial and economic crisis: 10,2% in 2014 (Eurostat, 2014).
- Despite the financial and financial crisis between 2008 and 2010, the number of enterprises in the hospitality sector grew by 3% in that period. Accommodation grew by 9% in total and restaurant, bars and catering by 18% (EY, 2013).
- Increasing consumption of vegetable oils and fats in the EU: 22 746 000 tonnes in 2013 (Fediol, 2013).

### **Social factors**

- Proliferation of fast-food chains and catering services.
- Increase of concern regarding food safety and quality in European countries (The Economist Intelligence Unit, 2015).
- Consumers' consciousness regarding the dangers of used frying oil remains very limited.
- Consumers' resistance to test frying oils' quality. Some people have the tendency to only make the test when obligated by law.

### **Technological factors**

- Increase of scientific studies demonstrating the dangers of used frying oils, as well as the need to create a harmonized system of control between countries (i.e., equal parameters and limits).
- Increase of international trade shows in the field of food and food safety.

### Environmental factors

- Most European countries recommend the recycle of used frying oils, which may increase the consciousness of users to test the quality of the oil and verify if it continues appropriate for consumption.

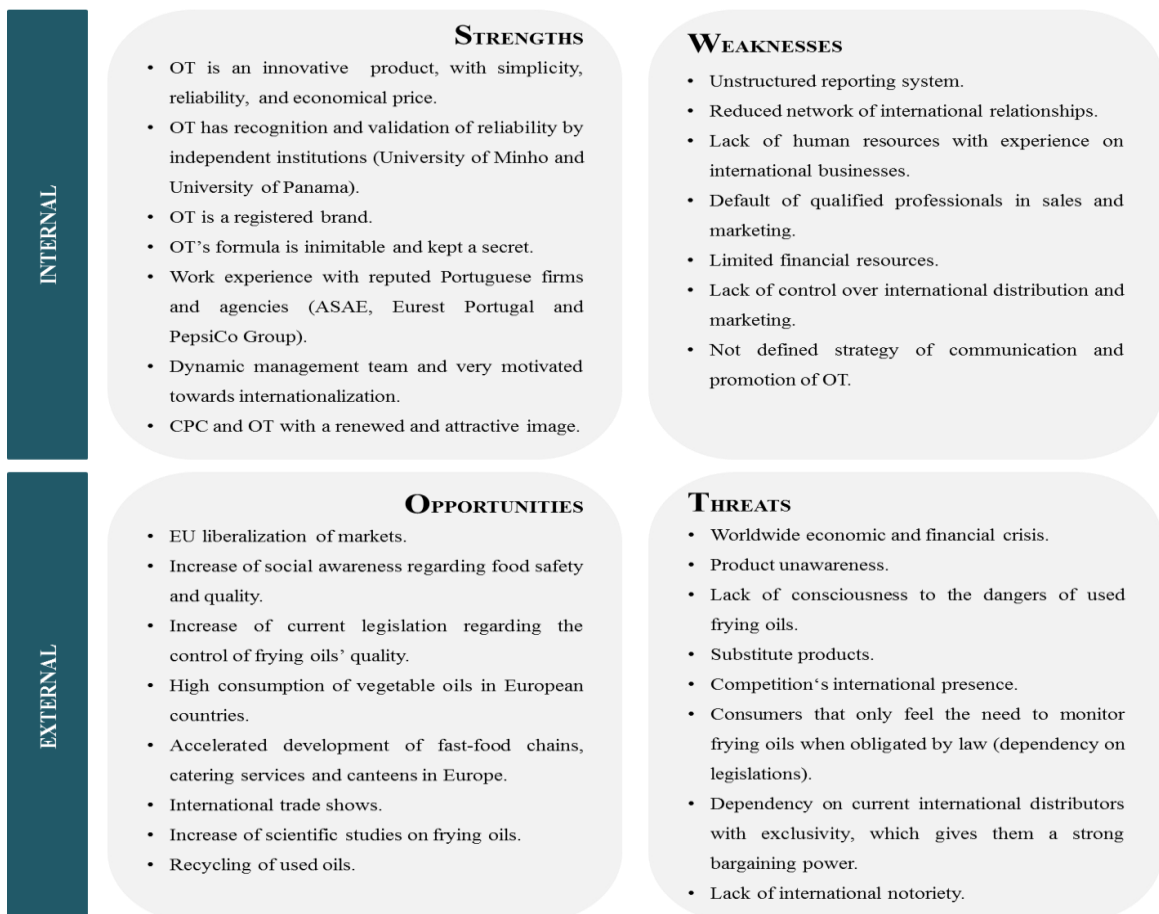
### Legal factors

- European countries are increasingly paying attention to this thematic, which is demonstrated by the growing existence of legislation regarding the control of the quality of frying oils in food establishments and manufacturers as seen in the previous chapter on Table 10.

## 3. SWOT ANALYSIS

The previous analyses end with the identification of strengths and weaknesses of the internal environment, and opportunities and threats founded in the external environment. These significant factors likely to have an impact on the company are summarized in a SWOT matrix, which for CPC and OT is represented in the following scheme.

Figure 6 - SWOT Analysis





It is through this analysis, in continuous actualization, that is possible to recognize the strengths and opportunities able to boost the business, and develop strategies to transfer weaknesses to the strengths size and minimize/convert threats into strategic opportunities to the company. In that sense, the construction of a Matrix of Confrontation will give some “routes” of action, which will lead the company to generate some strategic options. For CPC and OT were identified the alternatives figured in the succeeding matrix.

**Figure 7 - Matrix of Confrontation**

	STRENGTHS	WEAKNESSES
OPPORTUNITIES	<ul style="list-style-type: none"> <li>▪ Diversification of international markets.</li> <li>▪ Partnerships with official food safety agencies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversification of international markets.</li> <li>▪ Creation of team for internationalization specialized in marketing and sales.</li> <li>▪ Attendance to international trade shows in order to develop business networks.</li> </ul>
THREATS	<ul style="list-style-type: none"> <li>▪ Creation of an internationalization team able to improve the communication strategy with distributors.</li> <li>▪ Partnerships with official food safety agencies to fight the lack of consciousness to the dangers in question.</li> <li>▪ Partnerships with companies selling oil filtration systems.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversification of international markets.</li> <li>▪ Creation of an internationalization team in order to fight the lack of human resources and to create notoriety and awareness</li> <li>▪ Attendance to international trade shows to increase business networks and create credibility to the product.</li> <li>▪ Management of distribution channels to fight the lack of control over distributors activities and diminish the dependency on them.</li> </ul>

Considering the data previously exposed in the matrix, the following strategic options are emphasized in order to minimize company’s weaknesses and threats and promote CPC’s growth through OT:

- 1- Markets diversification/Internationalization:** this strategic option derives from the need to increase customer’s portfolio, take advantage of the advances on legislation, liberalization of trades and vegetable oils consumption in the European countries, and decrease the dependency on current international distributors with exclusivity.

- 2- **Promote partnerships with official food safety control agencies in foreign countries:** OT has value to these entities once the product offers the possibility to serve as legal proves. Besides, control agencies have the role of “opinion leaders”, and partnerships with them are a way to generate product’s awareness, visibility and credibility in the international markets. Moreover, this option helps to create consciousness regarding the dangers of used frying oils and also fight the idea of testing only when obligated by law.
- 3- **Attendance to international trade shows:** this is an efficient way to find possible partners and contacts in foreign markets, as well as to divulge the product and generate credibility. This option should be regarded as a true strategic option, once it demands high levels of commitment from the company. The company should participate in every edition of the fair in order to create reputation and trust.
- 4- **Conception of a team specialized into internationalization:** this strategic decision is justified by the need that the company has in terms of qualified human resources in the fields of marketing, sales and international businesses. Likewise, this team is fundamental to the continuous and constant accompaniment to international markets demanded by the internationalization process, which also demands focalized work in the specific markets (time resources).  
  
The team should own strong knowledge regarding the product characteristics and be able to show its benefits (create reliability and credibility). Language skills and availability to travel are also required. Moreover, hiring marketing qualified personnel is an option that helps the company to improve the strategy of communication and promotion of the product, at the same time that make progresses on its communication with current distributors. This team should also be able to stimulate and divulge the solid differentiation and added value of OT, as a way to differentiate the product from its competitors and create competitive advantage.
- 5- **Promote partnerships with companies selling oil filtration systems:** as a way to take advantage of the value of OT to these companies and, ultimately, reduce the risk of them being a substitute product.

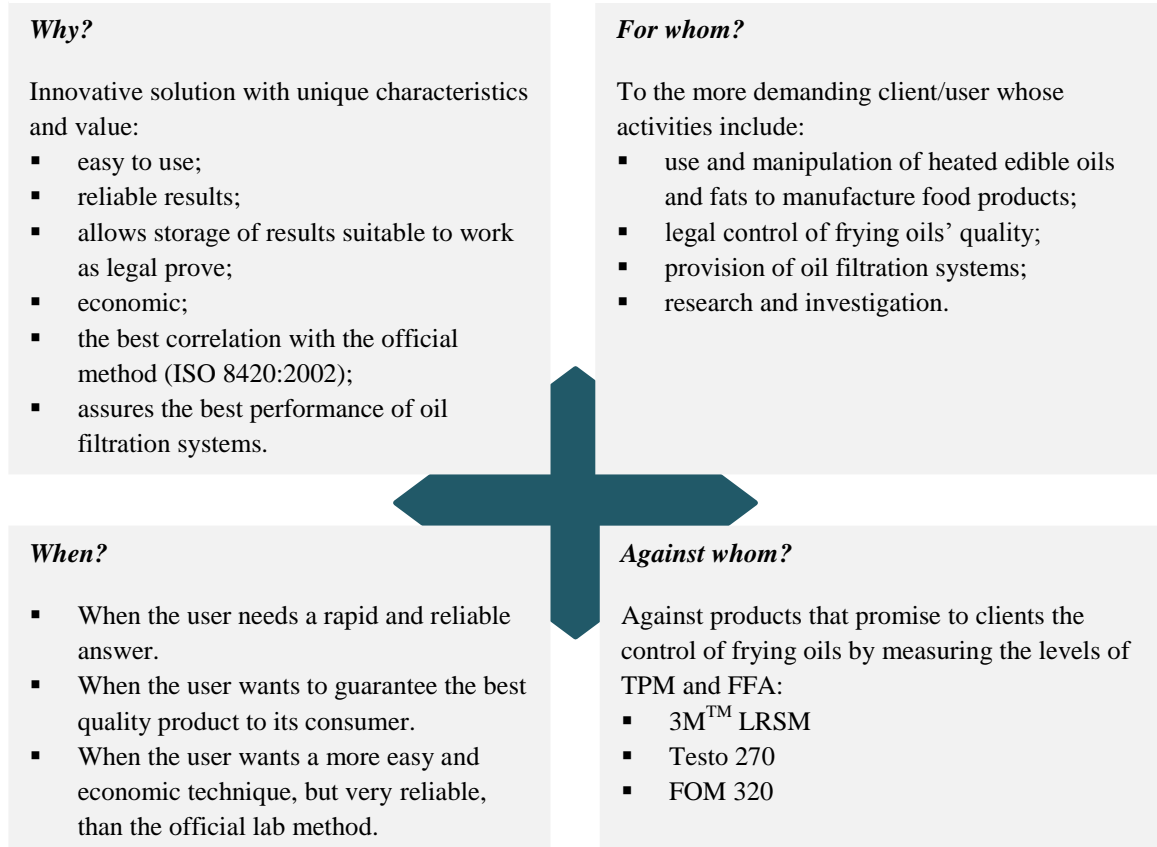
### 5.1.3. Desirable Positioning

After identifying CPC's motivations for internationalization and current strategic position, becomes relevant to define in what way the company intends positioning itself in the international markets with OT, once this will outline company's value promise and guide it through the available strategic options.

According to Kapferer (2008), 'brand positioning' is relevant in order to create preference in a specific market at a specific time by emphasising the distinctive characteristics that make a product different from its competitors and appealing to the public. Following the same author study, positioning is defined by answering four fundamental questions: *(1) why?* - Benefits that the brand offers to the public, which are translated into its value promise; *(2) for whom?* - Target public; *(3) when?* - Buying occasion of the product/service, which supports the claimed benefit; *(4) against whom?* - Main competitor(s).

Applying this rationality to CPC's case, we have the following positioning/value promise for the product OT.

Figure 8 - OT's desirable positioning (value promise)



All the analyses developed through Section 5.1 are the starting point for the definition of a strategy for development of international markets and communication, coherent with the specific case of CPC and OT.

## **5.2. Assessment of opportunities for international expansion: Analysis and pre-selection of target-market(s)**

After diagnosing company's external and internal environment, as well as its motivations towards internationalization, we start the development of an international expansion strategy for CPC's product - OleoTest<sup>®</sup>. This section is dedicated to the assessment of international opportunities, more precisely to the analysis and proposal of foreign countries.

The selection of markets for international expansion is one of the most challenging decisions when developing an internationalization plan. In this process several factors must be pondered in order to select the most attractive market(s) to the business.

In order to structure this process, will be applied the Brewer (2001) model for international market(s) selection presented in the literature (*cf.* sub-section 2.5.1; Figure 2). We believe that this is a rational process that fits the company, once it makes use of specific company's policies to, first, establish a set of possible countries and, then, it allows assessing those markets by using a group of criteria that assist the decision process with additional information. From our point of view, this model perfectly summarizes the steps taken in the process of market(s) selection. In this study, the model was separated into four stages in order to get the best advantages from the informants' analysis. The phases and the criteria applied are presented in the following table.

**Table 18 - Criteria of the model for countries selection**

Stage	Criteria
1 <sup>st</sup> ) Identification of countries	<ul style="list-style-type: none"> <li>▪ CPC policy and restrictions</li> <li>▪ Practical exclusions</li> </ul>
2 <sup>nd</sup> ) Primary selection	<ul style="list-style-type: none"> <li>▪ Macroeconomic indicators <ul style="list-style-type: none"> <li>- GDP (at market prices, growth rate and per capita)</li> <li>- Inflation rate</li> <li>- Unemployment rate</li> <li>- Imports of goods and services</li> </ul> </li> <li>▪ Ease of doing business ranking</li> </ul>

3 <sup>rd</sup> ) Assessment of markets potential and competitiveness	<ul style="list-style-type: none"> <li>▪ Sectorial criteria</li> <li>- Global Food Security Index</li> <li>- Vegetable oil consumption</li> <li>- Hotel and food establishments</li> <li>- Competitors analysis</li> </ul>
4 <sup>th</sup> ) Final selection	-

In order to have access to those informants was important to make use of several sources of information, like sectorial and statistical reports, international economic indicators, AICEP (Portuguese trade and investment agency) and previously acquired knowledge and experience of the company, as we will describe subsequently.

In a *first stage*, a set of countries was defined with basis on CPC policy and available resources (financial and human). The company limited the object of this internationalization plan to European countries and, ultimately, to countries inside the European Union (EU), once they represent less psychological and geographical distance and the process of export to those countries is very simplified due to the harmonization and integration of EU markets. Also, this decision represents less investment in product adaptations (classification, labelling and packaging.) to specific country's laws, since the EU has a common regulation and all that work is already done due to previous exports. An exception to that is the inclusion of Norway and Switzerland on the group of countries for analysis, because, despite not belonging to the EU, they are part of the European Free Trade Association (EFTA) which allows the free circulation of goods between countries. Moreover, some countries where the company already has some residual sales of OT (without distribution exclusivity) were also included once the company wants to re-evaluate their particular situation and determine if it is advantageous to make new investments in those markets.

That being said, sixteen European countries were identified (*cf.* Table 19).

**Table 19 - Pre-selection of countries**

Europeans Countries		Legislation or Recommendation	OleoTest presence	Europeans Countries		Legislation or Recommendation	OleoTest presence
1	Austria	Legislation	Yes	9	Ireland	Recommendation	-
2	Belgium	Legislation	Yes	10	Italy	Legislation	Yes
3	Czech Republic	-	-	11	Luxembourg	Legislation	-
4	Denmark	-	-	12	Netherlands	Legislation	-
5	Finland	-	-	13	Norway	-	-
6	Germany	Recommendation	-	14	Sweden	Recommendation	-
7	Greece	-	Yes	15	Switzerland	Legislation	-
8	Hungary	Recommendation	-	16	United Kingdom	-	-

Considering the great specificity of OT, the selection of countries where already exists legislation or recommendations regarding the quality control of used frying oils will bring some advantages to the international expansion, once the first step to users' consciousness was already taken. Therefore, it was decided to reduce the set of feasible countries to eleven (*cf.* Table 20) by excluding the countries without legislation or recommendations, except the UK. It is known that the UK has advanced regulation on food safety, and previous experience of the company tells that this country is worthy to explore.

**Table 20 - Identification of countries (1<sup>st</sup> Stage)**

Europeans Countries		Legislation or Recommendation	OleoTest presence	Europeans Countries		Legislation or Recommendation	OleoTest presence
1	Austria	Legislation	Yes	7	Luxembourg	Legislation	-
2	Belgium	Legislation	Yes	8	Netherlands	Legislation	-
3	Germany	Recommendation	-	9	Sweden	Recommendation	-
4	Hungary	Recommendation	-	10	Switzerland	Legislation	-
5	Ireland	Recommendation	-	11	United Kingdom	-	-
6	Italy	Legislation	Yes				

The ***second stage*** of this selection process comprises the collection and analysis of macroeconomic indicators (*cf.* Table 21, data from Eurostat) in order to assess countries' attractiveness. A very important indicator of a country's performance is the GDP per capita. This indicator is very useful to compare countries relative performance

and standard of living, once it is measured frequently, consistently and in most countries. A higher GDP per capita is translated into a higher standard of living, and consumers are usually in a better position to buy goods and services. So, usually we find in those countries more demanding consumers and more supply, for example, more hotels and food establishments. Moreover, people that live in countries with higher GDP per capita tend to be more educated, which for OT possibly means more open-minded people to the dangers of used frying oils and to the need of testing.

Also, the countries are analysed and compared with basis on an international ranking regarding the ease of doing business (*cf.* Table 22, from The World Bank, 2014). A high ease of doing business ranking means that the regulatory environment in that particular country is more favourable to start/operate a local firm. The rankings are determined with basis on 10 different topics, each of them with equal weight: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Thus, this ranking compares the countries identified in the previous phase in terms of easiness to make business, which gives a good idea of the main struggles that CPC may find in each country regarding the operation of businesses.

**Table 21 - Countries' macroeconomic analysis**

INDICATOR	GDP at market prices ( <i>million euro</i> )	GDP Growth rate (%)			GDP per capita ( <i>euros</i> )	Inflation rate (%)	Unemployment rate (%)	Imports of goods and services ( <i>million euro</i> )
YEAR	2013	2011	2012	2013	2013	2013	2014	2014
Austria	313.066,9	2,8	0,9	0,3	34.000	2,1	5,6	164.077,2
Belgium	382.692,0	1,8	0,6	0,9	31.600	1,2	8,5	328,5
Germany	2.737.600,0	3,3	0,7	0,4	32.600	1,6	5	1.138.508,0
Hungary	97.948,0	1,6	-1,7	1,1	17.600	1,7	7,7	86.505,4
Ireland	164.049,8	2,2	0,2	-0,3	34.500	0,5	11,3	168.083,1
Italy	1.560.023,8	0,4	-2,4	-1,9	26.300	1,3	12,7	423.301,8
Luxembourg	45.478,2	1,9	-0,2	2,1	68.500	1,7	5,9	76.137,6*
Netherlands	602.658,0	0,9	-1,2	-0,8	34.900	2,6	7,4	473.790,0
Sweden	420.849,1	2,9	0,9	1,6	33.700	0,4	7,9	175.243,4
Switzerland	489.673,2	1,8	1,0	1,9	43.000	0,1	3,2	309.818,3*
United Kingdom	1.899.098,0	1,1	0,3	1,7	28.900	2,6	6,1	671.692,8

Source: Eurostat | <http://ec.europa.eu/eurostat/data/database>

\*Data from 2013.



**Table 22 - Ease of doing business ranking**

<b>Country</b>	<b># Ease of doing business ranking</b>	<b># Starting a Business</b>	<b># Dealing with Construction Permits</b>	<b># Getting Electricity</b>	<b># Registering Property</b>	<b># Getting Credit</b>	<b># Protecting Minority Investors</b>	<b># Paying Taxes</b>	<b># Trading Across Borders</b>	<b># Enforcing Contracts</b>	<b># Resolving Insolvency</b>
<b>Austria</b>	21	101	78	24	35	52	32	72	19	5	16
<b>Belgium</b>	42	14	82	99	171	89	40	81	26	10	11
<b>Germany</b>	14	114	8	3	89	23	51	68	18	13	3
<b>Hungary</b>	54	57	103	162	52	17	110	88	72	20	64
<b>Ireland</b>	13	19	128	67	50	23	6	6	5	18	21
<b>Italy</b>	56	46	116	102	41	89	21	141	37	147	29
<b>Luxembourg</b>	59	82	50	42	137	165	117	20	35	2	62
<b>Netherlands</b>	27	21	100	90	58	71	94	23	13	19	12
<b>Sweden</b>	11	32	18	7	18	61	32	35	4	21	17
<b>Switzerland</b>	20	69	45	5	16	52	78	18	22	22	41
<b>United Kingdom</b>	8	45	17	70	68	17	4	16	15	36	13

Source: The World Bank | <http://www.doingbusiness.org/ranking>

Consequently, from this analysis the set of countries was reduced to seven markets (*cf.* Table 23) based on countries' attractiveness resultant of the combination between economic growth and ease of doing business. Belgium, Hungary and Italy are eliminated due to the low position on the ranking and low GDP per capita, while Luxembourg is removed because of the difficulties on doing business specially on getting credit.

**Table 23 - Primary Selection (2<sup>nd</sup> Stage)**

	Europeans Countries	Legislation or Recommendation	OleoTest presence		Europeans Countries	Legislation or Recommendation	OleoTest presence
1	Austria	Legislation	Yes	5	Sweden	Recommendation	-
2	Germany	Recommendation	-	6	Switzerland	Legislation	-
3	Ireland	Recommendation	-	7	United Kingdom	-	-
4	Netherlands	Legislation	-				

On a ***third stage***, a more detailed analysis is made in order to access markets potential and competitiveness. The following criteria were analysed for each selected country: Global Food Security Index (GFSI), vegetable oil consumption, number of hotels and food establishments, and competitors.

The GFSI (*cf.* Table 24, from The Economist Intelligence Unit, 2015) examines food security across three internationally established dimensions: affordability, availability and quality. By using this index we get an idea of countries investment on the area of food safety, especially in the field of quality and quality control. This is a valuable source of information to CPC, once OT is associated to the safety of a product (frying oils) destined to food manufacturing.

By studying the other criteria (*cf.* Table 25, data from Fediol, 2013, and OECD Statistics, 2012), we analyse sectorial information in order to assess markets potential and possible competitive advantages to the product. This involves an examination in each country of vegetable oils and fats consumption, where high consumptions are favourable to OT, as well as of the number of hotels and food establishments (restaurants, bars, cafes, canteens and caterings) which are the most common users of

the product. The study of competitors' presence, and respective prices and distributors, (cf. Tables 26 and 27) in each country is also fundamental to determine markets' rivalry.

**Table 24 - Global Food Security Index (2015)**

Country	#GFSI	Overall Score	#Affordability	#Availability	#Quality and Safety
<b>Austria</b>	2°	85,1	3°	1°	13°
<b>Germany</b>	5°	83,9	7°	5°	14°
<b>Ireland</b>	1°	85,4	1°	2°	3°
<b>Netherlands</b>	3°	85	4°	4°	3°
<b>Sweden</b>	8°	82,9	5°	9°	8°
<b>Switzerland</b>	4°	84,4	2°	3°	16°
<b>United Kingdom</b>	10°	81,6	9°	10°	15°

Source: The Economist Intelligence Unit | <http://foodsecurityindex.eiu.com/>

**Table 25 - Sectorial Indicators**

INDICATOR	Vegetable oils and fats consumption (1000 tonnes) <sup>1</sup>	Hotels (enterprises) <sup>2</sup>	Food and beverage establishments (enterprises) <sup>2</sup>	Hospitality sector* average annual growth rate (nominal) <sup>3</sup>
YEAR	2013	2012	2012	2000-2010
<b>Austria</b>	351	14.880	29.110	4,2%
<b>Germany</b>	5.168	34.578	125.362	4,8%
<b>Ireland</b>	194	1.139	14.163	4,1%
<b>Netherlands</b>	2.553	2.192	37.212	2,2%
<b>Sweden</b>	458	2.003	19.050	3,9%
<b>Switzerland</b>	134	5.257	21.241	4,1%
<b>United Kingdom</b>	1.699	15.205	113.623	0,4%

Sources:

<sup>1</sup>Fediol | <http://www.fediol.be/data/1408520400Stat%20oils%202013%20total%20only.pdf>

<sup>2</sup>OECD stats | <http://stats.oecd.org/>

<sup>3</sup>EY (2013)

\*The hospitality sector includes hotels and food and beverage establishments.

**Table 26 - Competitors' analysis - Price**

Competitor	EBRO - FOM 320		TESTO 270		3M FFA Strips			
	Presence	Average Price (VAT inc.)	Presence	Average Price (VAT inc.)	Presence	Average Price (VAT inc.)	Quantity	Price/Unit
<b>Austria</b>	Yes	350,00 €	Yes	447,60 €	Yes	Undetermined	-	-
<b>Germany</b>	Yes	440,00 €	Yes	443,87 €	Yes	19,78 €	20	0,99 €
<b>Ireland</b>	Yes	Undetermined	Yes	487,62 €	Yes	116,66 €	200	0,58 €
<b>Netherlands</b>	Yes	439,00 €	Yes	526,35 €	Yes	125,66 €	200	0,63 €
<b>Sweden</b>	Yes	486,00 €	Yes	480,43 €	Yes	Undetermined	-	-
<b>Switzerland</b>	Yes	490,00 €	Yes	529,80 €	Yes	45,71 €	50	0,91 €
<b>United Kingdom</b>	Yes	436,80 €	Yes	487,62 €	Yes	116,66 €	200	0,58 €

Source: own elaboration through independent research.

**Table 27 - Competitors' analysis - Distributors**

Competitor	EBRO - FOM 320			TESTO 270			3M FFA Strips		
	Distributor	Location	Website	Distributor	Location	Website	Distributor	Location	Website
Austria	Hebesberger	Neuhofen	<a href="http://www.hebesberger.at">www.hebesberger.at</a>	Mercateo Austria	Vienna	<a href="http://www.mercateo.at">www.mercateo.at</a>	Noack	Vienna	<a href="http://www.noackgroup.com">www.noackgroup.com</a>
	Mercateo Austria	Vienna	<a href="http://www.mercateo.at">www.mercateo.at</a>						
Germany	Stöfl	Waiblingen	<a href="http://www.stoeft.de">www.stoeft.de</a>	Mercateo	Munich	<a href="http://www.mercateo.com">www.mercateo.com</a>	Mibius	Dusseldorf	<a href="http://www.mibius.de">www.mibius.de</a>
	Mercateo	Munich	<a href="http://www.mercateo.com">www.mercateo.com</a>	Intergastro	-	<a href="http://www.intergastro.de">www.intergastro.de</a>			
	Voelkner	-	<a href="http://www.voelkner.de">www.voelkner.de</a>	HGK Direct	Hannover	<a href="http://www.hgkdirekt.de">www.hgkdirekt.de</a>			
	Luchs	-	<a href="http://www.luchs-direkt.de">www.luchs-direkt.de</a>	Candyman GmbH	Ladbergen	<a href="http://www.candyman-gmbh.de">www.candyman-gmbh.de</a>			
				Aura-Nord	-	<a href="http://www.aura-nord.com">www.aura-nord.com</a>			
Ireland	SGR Scientific	Dublin	<a href="http://www.sgrs.ie">www.sgrs.ie</a>	-			-		
Netherlands	Gullimex	Borne	<a href="http://www.gullimex.com">www.gullimex.com</a>	HACCP Producten	Benthuizen	<a href="http://www.haccpproducts.com">www.haccpproducts.com</a>	S-line Products	Groeneweg	<a href="http://www.s-lineproducts.nl">www.s-lineproducts.nl</a>
	Mercateo	-	<a href="http://www.mercateo.nl">www.mercateo.nl</a>	-			All Supply	ED 'S-Gravenhage	<a href="http://www.allsupply.nl">www.allsupply.nl</a>
Sweden	Proreg	-	<a href="http://www.proregcontrol.se">www.proregcontrol.se</a>	-			Indevex	Hisings Backa	<a href="http://www.iwab.se">www.iwab.se</a>
Switzerland	-			Pitec	Oberriet	<a href="http://www.pitec.ch">www.pitec.ch</a>	Endotell AG	Allschwil	<a href="http://www.endotell.ch">www.endotell.ch</a>
							Foodtech AG	Uster	<a href="http://www.foodtech.ch">www.foodtech.ch</a>
							Kaiser-IIE AG	Basel	<a href="http://www.kaiser-iiie.ch">www.kaiser-iiie.ch</a>
United Kingdom	Camlab	Cambridge	<a href="http://www.camlab.co.uk">www.camlab.co.uk</a>	Keison Products	Essex	<a href="http://www.keison.co.uk">www.keison.co.uk</a>	-		
	Mercateo UK	-	<a href="http://www.mercateo.co.uk">www.mercateo.co.uk</a>	UK Plumbing	Devon	<a href="http://www.uk-plumbing.com">www.uk-plumbing.com</a>			
	Laza Precision	Ipswich	<a href="http://www.lazaprecision.com">www.lazaprecision.com</a>						

Source: own elaboration through independent research.

Considered all the information presented, we can say that all countries have favourable points on their behalf. On one hand, Ireland, Netherlands and Sweden have really good positions on the GFSI, regarding quality and safety. This means that these countries are more conscious to the theme and invest most in the area. On the other hand, Germany, UK and Austria stand out on the consumption of vegetable oil and fats. Moreover, all countries analysed are very attractive in terms of the hospitality sector, which includes the number of hotels and food and beverages establishments. Regarding competitors' presence, all products are represented through online stores and official distributors in all countries analysed.

That being said, the set of countries identified in the previous stage (Table 23) didn't suffer any modification once all markets reveal potentiality and attractiveness in the sector of food safety and quality.

The *final stage* of this decision process comprises the final selection of market(s) for international expansion. This decision is based on all the previous steps that helped to determine which countries present higher attractiveness and potentiality of return facing risk.

The proposal of countries that we make for OT's international expansion is the following: Austria, Germany, Ireland, Netherlands, Sweden, Switzerland and UK.

Each proposed country has its specific attractiveness, which makes them good options for international expansion of the company. In that sense, a comparison between each country is subsequently developed in order to evaluate certain indicators in each country and, ultimately, establish a hierarchy of attractiveness.

This evaluation of the proposed countries is made by rating from 1 to 7 (7=highest classification) each country for several indicators, each one of them with a different weight on the final score. The following table demonstrates the final results.

**Table 28 – Comparison of attractiveness between the proposed countries**

Indicators	Weights	Austria	Germany	Ireland	Netherlands	Sweden	Switzerland	United Kingdom
GDP per capita	20%	4	2	5	6	3	7	1
Ease of doing business	20%	2	4	5	1	6	3	7
GFSI (#Quality and safety)	25%	4	3	7	7	5	1	2
Vegetable oils consumption	15%	3	7	2	6	4	1	5
Hospitality growth rate	20%	6	7	5	2	3	5	1
<b>TOTAL SCORE</b>	100%	<b>3,85</b>	<b>4,4</b>	<b>5,05</b>	<b>4,45</b>	<b>4,25</b>	<b>3,4</b>	<b>3,05</b>

According to this analysis, and only considering the selected indicators, the order of countries by attractiveness is the following: (1°) Ireland, (2°) Netherlands, (3°) Germany, (4°) Sweden, (5°) Austria, (6°) Switzerland, and (7°) UK.

This is our analysis and proposal of attractiveness; however, the most important thing to the company is to be able to enter into an international business network. If that occurs in a country with, accordingly to our analysis, less attractiveness, the company should follow that contact and sustain the relationship.

In the following chapter will be explained how the company might penetrate the selected market(s), and which opportunities are available in each country

### **5.3. Definition of an Entry Strategy for the pre-selected market(s)**

CPC's international expansion through OT is limited by the company current financial situation. Nowadays, CPC's financial results are stable and all the gains are canalized to be re-invested in the company growth. However, the company future should not be compromised.

Adding to that the shortage of human resources and the limited knowledge regarding the target markets, the definition of an entry strategy should allow minimizing the levels of resources commitment (human and financial) and facilitate market entry.

Considering the challenges presented and the need to preserve OT's unique and inimitable characteristics, direct export seems the most effective way to allow a progressive and solid international expansion. Additionally, making exclusive contracts with foreign distributors is not an option at this point once the company wants to have a greater control and decision power over OT's international locations and marketing strategy. Moreover, having in mind the need to increase product's awareness and credibility in international markets, by creating strategic partnerships with reliable entities CPC has an effective way to achieve it.

In that sense, we propose as entry strategy of the suggested markets (*cf.* Figure 9) the establishment of strategic alliances and direct exports for strategic clients.



**Figure 9 - OT's penetration strategy**

Strategic Alliances	Direct Export	
	Distribution	Final Clients
<ol style="list-style-type: none"> <li>1) Official Food Safety Control Agencies</li> <li>2) HORECA Agencies</li> <li>3) Oils &amp; Fats Associations</li> <li>4) Companies of oil filtration systems</li> </ol>	<p>Distributors</p> <p>Agents</p>	<ol style="list-style-type: none"> <li>1) Restaurants/Fast-food chains</li> <li>2) Caterings</li> <li>3) Hotels</li> </ol>

The strategic alliances are directed to entities that benefit from OT's features and, that in return, are important ways to introduce the product to the new markets and create awareness. In that sense company's efforts must be oriented, first, towards official food safety control agencies, by having them using OT in official inspections to food establishments or recommending the use of OT for establishments' self-control. The main advantage to these agencies is that OT allows, besides a fast and reliable answer, the storage of results for a long period of time, serving as legal proves. These agencies have the role of "opinion leaders" on society, being the most effective way to create credibility for the product. Interesting strategic partnerships of the same nature can also be made with national HORECA (hotels, restaurants and cafes) associations.

The official food safety control agencies and HORECA associations existent in each pre-selected country are identified in the following table.

**Table 29 - Proposal of Strategic Alliances: official food safety agencies and HORECA associations**

Country	Official Food Safety Control Agency	Website	HORECA Agency	Website
Austria	Austrian Agency for Health and Food Safety - AGES	<a href="http://www.ages.at">www.ages.at</a>	Austrian Professional Restaurant Association - APRA	<a href="http://www.gastronomieverband.at">www.gastronomieverband.at</a>
			Austrian Professional Hotel Association - APHA	<a href="http://www.hotelverband.at">www.hotelverband.at</a>
Germany	Federal Office of Consumer Protection and Food Safety	<a href="http://www.bvl.bund.de">www.bvl.bund.de</a>	Dehoga Bundesverband	<a href="http://www.dehoga-bundesverband.de">www.dehoga-bundesverband.de</a>
			Hotelverband Deutschland - IHA	<a href="http://www.hotellerie.de">www.hotellerie.de</a>
Ireland	Food Safety Authority of Ireland	<a href="http://www.fsai.ie">www.fsai.ie</a>	Restaurants Association of Ireland	<a href="http://www.rai.ie">www.rai.ie</a>
			Irish Hotels Federation	<a href="http://www.ihf.ie">www.ihf.ie</a>
Netherlands	Nederlandse Voedsel- en Warenautoriteit - NVWA	<a href="http://www.nvwa.nl">www.nvwa.nl</a>	KHN	<a href="http://www.khn.nl">www.khn.nl</a>
Sweden	Swedish National Food Agency – LIVSMEDELSVERKET (LV)	<a href="http://www.slv.se">www.slv.se</a>	Swedish Hospitality Industry - Visita	<a href="http://www.visita.se">www.visita.se</a>
Switzerland	Federal Office of Public Health – FOPH	<a href="http://www.bag.admin.ch">www.bag.admin.ch</a>	Hotellerie Suisse	<a href="http://www.hotelleriesuisse.ch">www.hotelleriesuisse.ch</a>
			Gastro Suisse for Hotels and Restaurants	<a href="http://www.gastrosuisse.ch">www.gastrosuisse.ch</a>
United Kingdom	Food Standards Agency - FSA	<a href="http://www.food.gov.uk">www.food.gov.uk</a>	British Hospitality Association - BHA	<a href="http://www.bha.org.uk">www.bha.org.uk</a>

Source: own elaboration through independent research

Moreover, Oils & Fats research associations are also valuable sources to reassure the reliability of OT, while they can use the product for several researches proposes in the field. The opportunities for alliance in each proposed country are identified in Table 30.

**Table 30 - Proposal of Strategic Alliances: Oils & Fats Associations**

Country	Oils & Fats Associations	Website
Austria	-	-
Germany	DGF	<a href="http://www.dgfett.de">www.dgfett.de</a>
	Euro Fed Lipid	<a href="http://www.eurofedlipid.org">www.eurofedlipid.org</a>
Ireland	-	-
Netherlands	European Federation of Food Science and Technology - EFFOST	<a href="http://www.fffost.org">www.fffost.org</a>
Sweden	Nordic Forum for Lipid Research and Technology	<a href="http://www.lipidforum.info">www.lipidforum.info</a>
	Swedish Chemicals Agency	<a href="http://www.kemi.se">www.kemi.se</a>
Switzerland	Institute for Marketecology - IMO	<a href="http://www.imo.ch">www.imo.ch</a>
	Swiss Association of Food Manufacturers	<a href="http://www.vsf-mills.ch">www.vsf-mills.ch</a>
United Kingdom	Society of Chemicals Industry	<a href="http://www.soci.org">www.soci.org</a>
	Seed Crushers and Oils Processors Association - SCOPA	<a href="http://www.scopa.org.uk">www.scopa.org.uk</a>
	Federations of Oils, Seeds and Fats Associations	<a href="http://www.fosfa.org">www.fosfa.org</a>
	National Edible Oils Distributors Association (NEODA)	<a href="http://www.neoda.org.uk">www.neoda.org.uk</a>
	National Federation of Fish Friers (NFFF)	<a href="http://www.federationoffishfriers.co.uk">www.federationoffishfriers.co.uk</a>

Source: own elaboration through independent research

Other type of strategic international alliances can be established with companies that sell oil filtration systems, once OT offers the possibility to ensure the best performance of their products and these companies, already established in the markets, provide market' access and insights. The idea is to sell OT along with the filtration system, offering the user the most complete and effective solution for oils' quality control. Moreover, this solution also generates customers' loyalty, increasing their value to the company with oil filtration systems and guaranteeing growth on the long-term.

The biggest companies selling oil filtration systems and with active operations in the selected countries, are presented in Table 31.

**Table 31 - Proposal of Strategic Alliances: Companies of oil filtration systems**

Company	Headquarters	WEBSITE	Subsidiaries	
<b>VITO®</b>	Tuttlingen, Germany	<a href="http://www.vito.ag">www.vito.ag</a>	<b>Austria</b>	<b>Switzerland</b>
			Belgium	Norway
			Czech Republic	<b>Great Britain</b>
			<b>Netherlands</b>	Finland
<b>FRYMASTER</b>	LA, USA	<a href="http://www.frymaster.com">www.frymaster.com</a>	Belgium, <b>Netherlands</b> and Luxembourg	<b>UK</b>
			Czech Republic	Turkey
			Denmark	<b>Switzerland</b>
			Finland	<b>Sweden</b>
			<b>Germany</b>	Poland
			Greece	Norway
			Hungary	Italy
<b>JBT FoodTech</b>	Chicago, USA	<a href="http://www.jbtfoodtech.com">www.jbtfoodtech.com</a>	Denmark	Turkey
			Finland	<b>Sweden</b>
			<b>Germany</b>	Poland
			Greece	Italy
<b>Filta Group</b>	Orlando, USA	<a href="http://www.gofilta.com">www.gofilta.com</a>	<b>Austria, Germany and Switzerland</b>	<b>Netherlands, Belgium and Luxembourg</b>
			Hungary	<b>UK</b>
			Greece	

Source: own elaboration through independent research

The other penetration strategy proposed, the direct export entry mode, is directed to two different groups: (1) sales to distributors (of kitchen equipment and supplies) and agents in the target markets, and (2) direct sales to final clients, which includes restaurants/fast-food chains, caterings and hotel groups with cuisines.

An assessment of opportunities in each country regarding distributors and final clients (restaurants chains and caterings) is made in Annexe II.

Regarding hotel groups, the major hotel clusters in the world are very well represented in Europe, also including the countries proposed for OT's international expansion (*cf.* Table 32). Additionally, these hotel groups also have active cuisines serving meals every day to hundreds of customers, which make them valuable options.

**Table 32 - Direct export opportunities: Hotel Groups**

Hotel Group	Headquarters	Website
Accor	Paris, France	<a href="http://www.accor.com">www.accor.com</a>
IHG	Buckinghamshire, UK	<a href="http://www.ihgplc.com">www.ihgplc.com</a>
Hilton Worldwide	Virginia, USA	<a href="http://pt.hiltonworldwide.com/">http://pt.hiltonworldwide.com/</a>
Marriott International	Maryland, USA	<a href="http://www.marriott.pt">www.marriott.pt</a>

Next, having identified the countries and the entry modes for penetration, a strategy for approaching and communicate these markets is developed.

#### **5.4.Strategy for approaching the pre-selected market(s)**

Having recommended a penetration strategy for the proposed target-markets, it becomes relevant to understand how CPC should start its approach to those markets in order to accomplish the designed strategy. In that sense, this section is dedicated to the recommendation of a set of actions to guide the company through its international expansion.

As said previously, the biggest constraints that CPC is exposed are the lack of financial and human resources, and the need to build a credible brand image for OT, uniform across all markets in order to protect its uniqueness. Also, the firm should aim to follow the desirable positioning (value promise) defined, once again, in a uniform way across the different markets. Considering this, there are two main aspects that we consider essential in markets' penetration: (1) management of distribution channels, and (2) management of the communication strategy.

#### **Management of distribution channels**

In this point we consider the selection and management of the relationship with foreign distributors. This is a particular situation where CPC needs some significant

improvements, once the company has lost the control of current distributors' operations over the years.

When selecting new distribution channels, CPC should take into account the possibility of affirmation and development of OT's brand in international markets. This means that the company should be able to manage the previously defined desirable strategic positioning (*cf.* Figure 8) and guarantee the same value promise across countries. For that, it is recommended:

- Predict and negotiate the services provided, which includes definition of prices practiced, guarantees offered to final clients and delivery times.
- Implementation of a report system with distributors in order to control sales. Is important that the company knows every aspect regarding sales, that is, where (locations) the product is sold, what prices and who are the clients (especially the big accounts).
- Reports should also consider clients' needs and how they see the product. That is, it is recommended to CPC to increase its knowledge on markets regarding clients' perception of OT and, also, of competing products.
- Negotiation of distributors' sales "arguments", that is, how the product is presented and sold to clients. This is something that CPC should control, since it is by this way the company ensures the transition of OT's value promise to clients and guarantees the right perception and differentiation from competitors' products. This point will be better developed previously in the communication strategy.

In order to be in a better position to negotiate these terms, is important that the company increases its knowledge regarding each country. There are several sources of information in order to help a company facing international expansion improve its knowledge on target countries, which includes all type of information, such as: culture, social habits, business environment, distribution, transports, etc. This can be done through the help of the already existent contacts network of CPC (AICEP and current partners), and/or by establishing new contacts with reference entities/companies in each market. Some possible new contacts in each proposed country are identified in Annexe III.

Likewise, is essential to understand the business culture and main formalities in each country, once the cultural difference between Portugal and them is very real. This is a crucial step in the preparation of the negotiation process, which can provide several advantages to the company. In that sense, a brief description of each country's business/negotiation environment is made in Annexe IV.

### **Management of the communication strategy**

The communication strategy of OT should have as main focus the advantages to the client and the differentiation from competitors, always having in mind the building of a uniform brand image in all countries. It is recommended to CPC to follow the same strategy in every country in terms of value proposition:

- OleoTest<sup>®</sup> gives competitive advantages to users, once they are controlling frying oils with the best test in the market;
- And so, users of OleoTest<sup>®</sup> can show to their own clients/consumers social responsibility and guarantee the control of frying oils with OleoTest<sup>®</sup> (e.g. with a bumper in establishments).

The development of a communication strategy also demands dealing with the creation of an image of credibility and reliability to the company and product. As described in Section 2.3 of the literature review, when entering foreign countries companies have to deal with the barrier of “*liability of foreignness*”, that is, the fact of being unknown in that market which may create some distrust among local agents, as well as with the barrier of “*country-of-origin effect*” which is associated with the image that the home country transmits to international businesses. These two barriers are particularly difficult to Portuguese companies, due to the lack of awareness and trust of international markets in Portuguese products.

In order to overcome these challenges, the communication strategy developed for CPC and OT recommends the following actions:

- Creation of a qualified team with marketing skills and oriented towards international businesses. The members of the team must be excellent communicators, with a deep knowledge on the product, and with a personality

that inspires trust, in order to be able to break the “portuguese barrier”, and prove/demonstrate OT’s credibility, differentiation and advantages.

- Development and promotion of OT’s brand, through an active presence on online social networks (Facebook, LinkedIn and *vimeo*), in order to improve communication channels with actual and new clients. For this purpose is important to make references to markets where the product is already present, especially markets known for being demanding in terms of products’ quality and performance. For OT, this reference market is France.
- Attendance to international trade shows, with the objective to increase CPC’s contacts and generate awareness and reputation to OT. International trade shows are very costly, and is very hard to achieve financial return quickly. So, it must be a much pondered decision and CPC should select the most relevant fairs in the most demanding markets. This decision demands commitment on the long-term, i.e., the company must attend to every edition of the fair in order create and maintain a reputation. That being said, at this point, it is advisable that CPC attends to a limited number of fairs and, initially, in the quality of visitor in order to acquire expertise.

The most relevant fairs in each proposed market are identified in the following table. This list includes fairs in the following sectors:

- Catering, restaurants and hotel industries and equipment;
- Food Safety;
- Technology and innovation.



Table 33 - Trade Shows

Country	Trade Show	City	WEBSITE	Number of exhibitors (last edition)	Number of visitors (last edition)
Austria	<b>Alles für den Gast Herbst</b>	Salzburg	<a href="http://www.gastmesse.at">www.gastmesse.at</a>	700	46.500
	<b>Gast</b>	Klagenfurt	<a href="http://www.kaerntnermesse.at">www.kaerntnermesse.at</a>	500	15.000
Germany	<b>Internorga</b>	Hamburg	<a href="http://www.internorga.com/en/homepage/">www.internorga.com/en/homepage/</a>	1.017	95.000
	<b>Anuga FoodTec</b>	Cologne	<a href="http://www.anugafoodtec.com">www.anugafoodtec.com</a>	1.246	45.000
	<b>oils+fats</b>	Munich	<a href="http://www.oils-and-fats.com">www.oils-and-fats.com</a>	47	2.000
Ireland	<b>Catex</b>	Dublin	<a href="http://www.catexexhibition.com">www.catexexhibition.com</a>	200	11.000
	<b>Food &amp; Hospitality</b>	Dublin	<a href="http://www.foodhospitality.ie">www.foodhospitality.ie</a>	-	-
	<b>Food &amp; Bev</b>	Dublin	<a href="http://www.foodandbev.ie">www.foodandbev.ie</a>	-	-
Netherlands	<b>Horecava</b>	Amsterdam	<a href="http://www.horecava.nl">www.horecava.nl</a>	500	-
Sweden	<b>easyFairs Fastfood &amp; Café / Restaurang expo</b>	Stockholm	<a href="http://www.easyfairs.com/events_216/fastfood-cafe-restaurantexpo-2015_41537/fastfood-cafe-stockholm-2015_41757/">www.easyfairs.com/events_216/fastfood-cafe-restaurantexpo-2015_41537/fastfood-cafe-stockholm-2015_41757/</a>	-	-
Switzerland	<b>Igeho</b>	Basle	<a href="http://www.igeho.ch">www.igeho.ch</a>	684	76.000
United Kingdom	<b>The Hospitality Show</b>	Birmingham	<a href="http://www.hospitalityshow.co.uk">www.hospitalityshow.co.uk</a>	-	-
	<b>The Restaurant Show</b>	London	<a href="http://www.therestaurantshow.co.uk">www.therestaurantshow.co.uk</a>	-	-
	<b>Hotelympia</b>	London	<a href="http://www.hotelympia.com">www.hotelympia.com</a>	1.000	-

Source: To Fairs | <http://www.tofairs.com/sct.php>

- Advertisement in magazines/journals oriented to the HORECA sector and/or specialized in food. This option isn't considered a priority to the company, due to the high costs associated. However, it is a long-term possibility in order to

reach a larger public, particularly cuisine chefs. The most influential magazines and journals in each proposed country are identified and analysed in Annexe V.

Next, we make a proposal of marketing material for communication purposes. This suggestion was developed based on the research made regarding each country's business culture (Annexe IV). From this analysis we get the conclusion that the selected countries value straightforward communication and don't want to waste time with useless information. So, texts should be short, attractive and appealing to the right point. Moreover, once CPC operates with OT mainly in the B2B context, these particularities become even more important.

It is also important to stand out that the economic advantages of the product should be the last thing to use as promotion technique, once the objective is to position the product as the best quality rapid test to measure the quality of frying oils. Therefore, references focusing too much on price may jeopardize the image of OT as a high quality product.

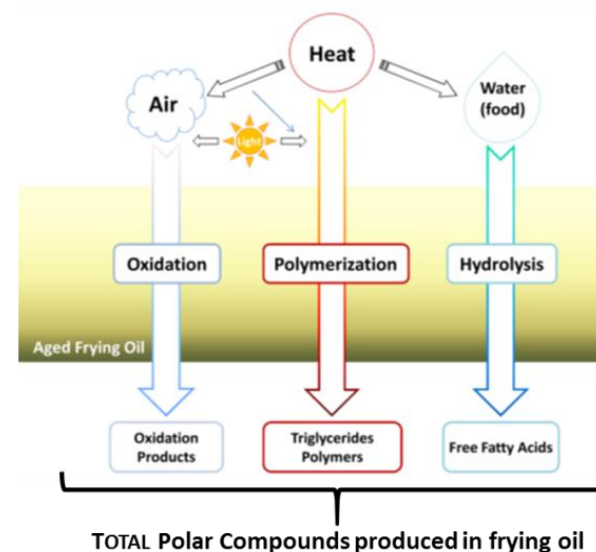
That being said, we present the following communication proposal focusing on OT's main advantages to clients and on its differentiation from competitors.



The right choice | **oleotest**  
TRUST IT

*Why Total Polar Material tests, like OleoTest<sup>®</sup>, are a more accurate measure of frying oils' degradation?*

TPM	FFA
Measure of total presence of polar compounds	Only an indirect measure of a portion of polar compounds
Direct measure of oil degradation	Only FFAs (acidity level) are measured on used oils
Mandatory as legal parameter in several countries - Austria, Belgium, France, Italy, Portugal, Spain, Switzerland, and recommended by others - Canada, Germany, Brazil	Less frequent mandatory parameter





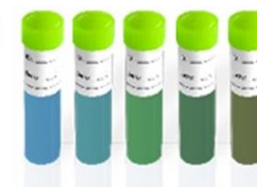
The right choice | **oleotest**  
TRUST IT

*How can you make your clients happier by using OleoTest® ?*

- The most reliable results
- The easiest

	Measure of TPM	Direct measure of oil's degradation	Special storage conditions	Use of hot oil	Direct contact with oil (contamination)	Extended scale (Easiness of reading + more reliable results)
OleoTest®	✓	✓	No	No	No	✓
vs. FFA Test Strips	✗	✗	Yes	Yes	Yes	✗

With *OleoTest®* , you can guarantee to the more demanding customer the tastier and healthier food!





The right choice | **oleotest**  
TRUST IT

*How can you make your clients happier by using OleoTest® ?*

- The most reliable results
- The easiest
- And more economical

	Measure of TPM	Direct measure of oil's degradation	Special storage conditions	Calibration processes	Risk of breakdown	Direct contact with oil (contamination)	Continuous maintenance	Economical
OleoTest®	✓	✓	No	No	No	No	No	✓
vs. Electronic device	✓	✓	Yes	Yes	Yes	Yes	Yes	✗

With *OleoTest®* , you can guarantee to the more demanding customer the tastier and healthier food!





## The right choice | **oleotest** TRUST IT

### *Beyond those benefits, how can you still save money by using OleoTest® ?*

*Do you change your cooking oil every day?*

Please consider the following illustrative situation, where it is assumed that by using OleoTest® you will be able to extend the utility of the frying oil at least for one more day.

Average industrial fryer oil capacity: 5 liters per day

Average price of vegetable oil: \$2,50

Operations: 24 days a month

**Situation 1: Changing oil every day, without testing**

**Cost of oil per day: \$12,5**  
**Cost of oil per month: \$ 300**

**Costs of \$3600 per year**

**Situation 2: Using OleoTest®**

**Cost of oil per day: \$12,5**  
**Cost of oil per month: \$150**  
**Cost of OleoTest: \$1,26 per unit**

**Savings of, approximately, \$120 per month**

**\$1437 PER YEAR**

**Having a cost of only \$30,24 per month with OleoTest®**





The right choice | **oleotest**  
TRUST IT

*Beyond those benefits, how can you still save money by using OleoTest® ?*

- Without extra costs: calibration, external reagents or instruments
  - Reduction of costs with laboratory analysis
  - No maintenance costs

*More tasty and healthier food, more happy customers!*

## **6. The Internship**

This chapter is dedicated to a description of the activities developed under the internship at CPC.

The internship offered by CPC was the ideal opportunity to work in one of the most attractive businesses' area: internationalization. Adding to that, the factor of working with such an innovative product, created the ideal challenge to make the jump between the knowledge acquired through the academic experience and the business practice.

This experience revealed to be a real win to my future career, once it allowed acquiring a significant know-how regarding the dynamics of international businesses and, more important, to be a part of a company and a team operating at national and international level.

The internship was developed at CPC's facilities, during six months (between September 2014 and March 2015), and all activities were defined and oriented by the CEO, Eng.<sup>a</sup> Inês de Castro (PhD).

Initially, the objective of the internship was to create an internationalization strategy for European countries. In that sense, the following activities were defined and accomplished successfully:

- Countries identification.
- Countries research, which included:
  - Legislations and recommendations regarding the quality control of used frying oils.
  - Identification of official food safety agencies, HORECA associations and oils & fats associations/research centres.
  - Competition analysis in terms of distribution and prices.
  - Identification and creation of a datasheet with contacts of several potential clients, including distributors, restaurant chains, catering services and hotels.
  - Identification of companies selling oil filtration systems.
  - Identification and analysis of trade shows.



- Initiate communication with all the contacts identified in the previous point through e-mail.
- Work on the communication and promotion strategy of OT:
  - Development of new marketing material for OT. This material was focused on presenting the main advantages of OT when compared with other measuring tests and demonstrate what clients can win/save by using OT. A sample of this material was shown in the previous chapter.
  - Research and preparation of material for OT's Facebook page (both Portuguese and International pages) in order to keep it dynamic and attractive.
  - Research and analysis of specialized Magazines and Journals for advertisement.

Moreover, as part of the internship activities was also included the participation on OT's production every month and the preparation of orders. At the end of the internship a report was delivered to Eng.<sup>a</sup> Inês, which included a description of all activities and achievements accomplished during the six month time period.

Through all the work developed, some strategic options for the company were identified, in particular, for OT, and that are considered significant for a prosperous growth of OT's presence in international markets.

Concluding, this journey was considered a valuable experience for both parts.

## **7. Conclusion**

Facing the continuous globalization of the economy and the consequent openness of international business relations, small and medium enterprises are increasingly expanding their activity to foreign markets. The reduction of barriers of entry, the advances on technology, communications and information, and the reduction of costs, among other factors, were responsible for the conversion of internationalization into an attractive strategic option needed so that SMEs could keep up the accelerated pace of businesses.

However, challenges continue to exist and are even more relevant in the case of SMEs due to the usual lack of knowledge regarding markets and international businesses, and to the shortage of resources (human and financial). Therefore, is very important that these companies create their own strategic plan that determines which markets are interesting for approach and how the company should penetrate and adapt to its business culture.

The curricular internship at CPC allowed me to develop an internationalization strategy to its “star product” - OleoTest<sup>®</sup>. The concrete objective of the internship was to create a strategy to OT in the European market, which included the selection of countries and the design of an entry strategy. OT is an innovative product destined to a particular public and very depending on people’s consciousness regarding food safety, which made this project very challenging and interesting. Despite all the challenges faced, I truly believe that I was able to successfully create an internationalization plan for OT and, consequently, fulfil all the objectives that were proposed to me by CPC.

The present study is based on the previously described experience. Initially, a literature review on internationalization was made in order to create a support for the decision process. Several concepts and theories on SMEs’ internationalization were studied, which ultimately helped to delineate the past and current situation of CPC (always focusing on the product OT) regarding the evolution of international businesses. Additionally, a model for international markets selection was selected from the literature to later assist on the choice of foreign markets for OT’s expansion.

In a second phase, these insights were applied to the case of CPC and OT in order to answer the research questions: *“Which European market(s) to select for OleoTest® international expansion?”* and *“which strategies to use for entering the selected market(s)?”*.

After a diagnosis of the company where the main advantages and disadvantages regarding external and internal environment were identified, some strategic lines were presented in order to safeguard the future of company and that should be considered when selecting and entering international markets. After applying the selected model (cf. Figure 2), the following countries are proposed to the company for the international expansion of OT: Austria, Germany, Ireland, Netherlands, Sweden, Switzerland and United Kingdom.

Posteriorly, a strategy for market(s) penetration was designed having in mind the proposed countries and the particular constraints of CPC. Strategic alliances and direct exports are the suggested strategies to use in the selected markets. Moreover, some operational actions were proposed with the objective of guiding the company through the initial approach to the selected markets(s) and, ultimately, help to achieve its objectives.

Considering that the company is truly dedicated to follow an international expansion strategy, it becomes relevant to point out some organizational measures that will help CPC to conquer international markets for OT: development of a specialized team with strong marketing and communication skills; promote the participation in international trade shows that will benefit company's reputation and credibility, as well as break the “country-of-origin effect”, and, more important, increase company's business networks with potential clients and partners.

From this six month experience working at CPC, I was able to apply some of the knowledge acquired through my academic background, as well as to develop several working skills that I believe that truly influenced my future professional life and benefited the company. More important, this project allowed me to deepen the theory, methodology and integration of concepts in the field of internationalization, and apply it to practice.

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## **Annexes**

### **Annexe I – Informal Interview to CPC’s CEO, Eng.<sup>a</sup> Inês de Castro (PhD)**

#### General Information:

- 1- When was the company created?
- 2- When and how was OT developed?
- 3- Who are the clients of OT? And, what is the profile of OT’s users?

#### Internationalization process of OT:

- 1- When started the internationalization of OT?
- 2- How (mode of entry) occurred the process?
- 3- Where is OT currently present?
- 4- Which are the current strategic objectives of the company regarding OT?

#### Market Information:

- 1- Which are the main competitors of OT?
- 2- How OT differentiate from its competitors?
- 3- Which are the actual distributors of OT? And, what type of relationship the company maintain with each one of them?
- 4- Which are the main challenges/barriers of the sector? And the main opportunities?
- 5- What type of international trade shows the company is usually presen



## Annexe II – Identification of opportunities for penetration of target markets

### Austria

Distributors	
Company	Website
<b>Stoelner</b>	<a href="http://www.stoelner.at">www.stoelner.at</a>
<b>Hutterer</b>	<a href="http://www.hutterer.cc">www.hutterer.cc</a>
<b>Gastro Shop</b>	<a href="http://www.gastroshop.at">www.gastroshop.at</a>
<b>Zanussi Kaier</b>	<a href="http://www.zanussi-kaier.at">www.zanussi-kaier.at</a>
<b>Lechner</b>	<a href="http://www.lechner-kuechentechnik.com">www.lechner-kuechentechnik.com</a>
<b>Miele</b>	<a href="http://www.miele.at">www.miele.at</a>
<b>Fuco</b>	<a href="http://www.fuco.at">www.fuco.at</a>
<b>Far</b>	<a href="http://www.far.at">www.far.at</a>
<b>Toperczer</b>	<a href="http://www.toperczer.com">www.toperczer.com</a>
<b>A&amp;G Salzburg</b>	<a href="http://www.aug.at">www.aug.at</a>
<b>Sautner</b>	<a href="http://www.sautner.at">www.sautner.at</a>

Final Clients	
Catering	Website
<b>Adventure Catering</b>	<a href="http://www.adventure-catering.com">www.adventure-catering.com</a>
<b>M-event Catering</b>	<a href="http://www.m-eventcatering.at">www.m-eventcatering.at</a>
<b>1st Event</b>	<a href="http://www.1stevent.at">www.1stevent.at</a>
<b>Do &amp; Vo</b>	<a href="http://www.doco.com">www.doco.com</a>

## Germany

Distributors	
Company	Website
Gök Systems	<a href="http://www.goek-systeme.de">www.goek-systeme.de</a>
Siller & Laar	<a href="http://www.siller-laar-gastro.de">www.siller-laar-gastro.de</a>
Pulsiva	<a href="http://www.pulsiva.de">www.pulsiva.de</a>
GEA Food Solutions	<a href="http://www.gea-foodsolutions.com">www.gea-foodsolutions.com</a>
GGM Gastro International	<a href="http://www.ggmgastr.com">www.ggmgastr.com</a>
Chr. Hubensack GmbH	<a href="http://www.hubensack.de">www.hubensack.de</a>
EKU	<a href="http://www.eku-limburg.de">www.eku-limburg.de</a>
Grossküchentechnik GmbH	<a href="http://www.allpax.de">www.allpax.de</a>
Allpax	<a href="http://www.bartscher.de">www.bartscher.de</a>
Bartscher	<a href="http://www.gastroladen.de">www.gastroladen.de</a>
Handelshof	<a href="http://www.handelshof.de">www.handelshof.de</a>
Prohoga	<a href="http://www.prohoga.de">www.prohoga.de</a>
HorecaTec	<a href="http://www.horecatec.de">www.horecatec.de</a>
Siltec-Gastro	<a href="http://www.siltec-gastro.de">www.siltec-gastro.de</a>

Final Clients			
Restaurant Chains		Website	
Nordsee Holding GmbH		<a href="http://www.nordsee.com">www.nordsee.com</a>	
Vapiano SE		<a href="http://www.vapiano.de">www.vapiano.de</a>	
Eugen Block Holding GmbH		<a href="http://www.block-gruppe.de">www.block-gruppe.de</a>	
Kuffler Gruppe		<a href="http://www.kuffler.de">www.kuffler.de</a>	
Maredo Restaurants Holding		<a href="http://www.maredo.com">www.maredo.com</a>	
Feinkost Käfer GmbH & Co. KG		<a href="http://www.feinkost-kaefer.de">www.feinkost-kaefer.de</a>	
Enchilada Franchise GmbH		<a href="http://www.enchilada-gruppe.de">www.enchilada-gruppe.de</a>	
Stockheim GmbH		<a href="http://www.stockheim.de">www.stockheim.de</a>	
Hallo Pizza GmbH		<a href="http://www.hallopizza.de">www.hallopizza.de</a>	
Joey’s Pizza Service Deutschland GmbH		<a href="http://www.joeys.de">www.joeys.de</a>	

## Ireland

Distributors	
Company	Website
<b>Tommy Varden</b>	<a href="http://www.tommyvarden.ie">www.tommyvarden.ie</a>
<b>Nisbets</b>	<a href="http://www.nisbets.ie">www.nisbets.ie</a>
<b>Martin Food Equipment</b>	<a href="http://www.martinfoodequip.com">www.martinfoodequip.com</a>
<b>Catering Equipment Ireland</b>	<a href="http://www.cateringequipment.ie">www.cateringequipment.ie</a>
<b>Hugh Jordan</b>	<a href="http://www.hughjordan.com">www.hughjordan.com</a>
<b>Bunzl McLaughlin</b>	<a href="http://www.bunzlmclaughlin.com">www.bunzlmclaughlin.com</a>
<b>Higgins &amp; Co.</b>	<a href="http://www.higginsireland.com">www.higginsireland.com</a>
<b>JD Catering</b>	<a href="http://www.jdcatering.com">www.jdcatering.com</a>
<b>Gilmartins</b>	<a href="http://www.gilmartins.com">www.gilmartins.com</a>
<b>Stephens Catering Equipment</b>	<a href="http://www.stephens-catering.com">www.stephens-catering.com</a>
<b>Galgorm Group</b>	<a href="http://www.galgormgroup.com">www.galgormgroup.com</a>

Final Clients			
Restaurant Chains	Website	Catering	Website
<b>Supermac's</b>	<a href="http://www.supermacs.ie">www.supermacs.ie</a>	<b>The Caterers</b>	<a href="http://www.thecaterers.ie">www.thecaterers.ie</a>
<b>Abrakebabra</b>	<a href="http://www.abrakebabra.com">www.abrakebabra.com</a>	<b>With Taste</b>	<a href="http://www.withtaste.ie">www.withtaste.ie</a>
<b>Dunne &amp; Crescenzi</b>	<a href="http://www.dunneandcrescenzi.com">www.dunneandcrescenzi.com</a>	<b>Catering Services</b>	<a href="http://www.cateringservices.ie">www.cateringservices.ie</a>
<b>Eddie Rocket's</b>	<a href="http://www.eddierockets.ie">www.eddierockets.ie</a>	<b>Naomi Kitchen</b>	<a href="http://www.naomiskitchen.ie">www.naomiskitchen.ie</a>
<b>Hillbilly's</b>	<a href="http://www.hillbilysfriedchicken.com">www.hillbilysfriedchicken.com</a>	<b>Feast</b>	<a href="http://www.feast.ie">www.feast.ie</a>
		<b>Fitzers Catering</b>	<a href="http://www.fitzerscatering.ie">www.fitzerscatering.ie</a>
		<b>JC Catering</b>	<a href="http://www.jccatering.ie">www.jccatering.ie</a>
		<b>Knights Catering</b>	<a href="http://www.knightscatering.ie">www.knightscatering.ie</a>

## Netherlands

Distributors	
Company	Website
<b>PDG Supplies</b>	<a href="http://www.pdgsupplies.com">www.pdgsupplies.com</a>
<b>Voreca</b>	<a href="http://www.voreca.nl">www.voreca.nl</a>
<b>Heuvel Horeca</b>	<a href="http://www.heuvelhoreca.nl">www.heuvelhoreca.nl</a>
<b>HorecaApparatuur</b>	<a href="http://www.horecaapparatuur.nl">www.horecaapparatuur.nl</a>
<b>Vega</b>	<a href="http://www.vega-direct.nl">www.vega-direct.nl</a>
<b>Wicor</b>	<a href="http://www.horeca-groothandel.com">www.horeca-groothandel.com</a>

Final Clients			
Restaurant Chains	Website	Catering	Website
<b>Burger Bar</b>	<a href="http://www.burger-bar.nl">www.burger-bar.nl</a>	<b>Jasper in de Keuken</b>	<a href="http://www.jasperindekeuken.nl">www.jasperindekeuken.nl</a>
<b>Vleminckx</b>	<a href="http://www.vleminckxdesausmeester.nl">www.vleminckxdesausmeester.nl</a>	<b>Peperkers Catering</b>	<a href="http://www.peperkers.nl">www.peperkers.nl</a>
<b>Grill-Bar Baby</b>	<a href="http://www.grill-barbaby.nl">www.grill-barbaby.nl</a>	<b>M &amp; G Catering</b>	<a href="http://www.mengcatering.nl">www.mengcatering.nl</a>
<b>De Vlaminck</b>	<a href="http://www.devlaminc.nl">www.devlaminc.nl</a>	<b>Compass Group</b>	<a href="http://www.compass-group.nl">www.compass-group.nl</a>
<b>Reitz</b>	<a href="http://www.reitz.nl">www.reitz.nl</a>	<b>Sab Catering</b>	<a href="http://www.sabcatering.nl">www.sabcatering.nl</a>
<b>Febo</b>	<a href="http://www.febolekkerste.nl">www.febolekkerste.nl</a>	<b>Oseven</b>	<a href="http://www.oseven.com">www.oseven.com</a>
<b>Maoz Vegetarian</b>	<a href="http://www.maozusa.com">www.maozusa.com</a>	<b>Sourcing Europa</b>	<a href="http://www.sourcingeuropa.com">www.sourcingeuropa.com</a>
		<b>Peter Pan</b>	<a href="http://www.peterpan.nl">www.peterpan.nl</a>
		<b>5 broden 2 vissen Catering</b>	<a href="http://www.5broden2vissencatering.nl">www.5broden2vissencatering.nl</a>

## Sweden

Distributors	
Company	Website
Vega	<a href="http://www.vega-direkt.se">www.vega-direkt.se</a>

Final Clients			
Restaurant Chains		Catering	Website
Max Hamburgers	<a href="http://www.max.se">www.max.se</a>	Stockholm Food	<a href="http://www.stockholmfood.se">www.stockholmfood.se</a>
Sibylla (Atria Group)	<a href="http://www.atriagroup.com/en/">www.atriagroup.com/en/</a>	Annorlunda	<a href="http://www.annorlunda.se">www.annorlunda.se</a>
Marion's Gastro	<a href="http://www.marionsgastro.se">www.marionsgastro.se</a>	Bromma Deli	<a href="http://brommadeli.se/">http://brommadeli.se/</a>
Himlen	<a href="http://www.restauranghimlen.se">www.restauranghimlen.se</a>	Ett Ställe Catering	<a href="http://www.ettstalle.se">www.ettstalle.se</a>
Kvarnen	<a href="http://www.kvarnen.com">www.kvarnen.com</a>	Lisa Elmqvist	<a href="http://www.lisaelmqvist.se">www.lisaelmqvist.se</a>
TGI Fridays	<a href="http://www.fridays.se">www.fridays.se</a>	Eastside Café	<a href="http://www.eastsidecafe.se">www.eastsidecafe.se</a>
		Vassa Eggen	<a href="http://www.vassaeggen.com">www.vassaeggen.com</a>
		Ingelsta Kallon	<a href="http://www.ingelstakalkon.se">www.ingelstakalkon.se</a>
		Food Stockholm	<a href="http://www.foodstockholm.se">www.foodstockholm.se</a>
		Helin Voltaire	<a href="http://www.helinvoltaire.com">www.helinvoltaire.com</a>

## Switzerland

Distributors		Final Clients			
Company	Website	Restaurant Chains	Website	Catering	Website
<b>Aligro</b>	<a href="http://www.aligro.ch">www.aligro.ch</a>	<b>Hallo</b>	<a href="http://www.restauranthallo.ch">www.restauranthallo.ch</a>	<b>Compass Group</b>	<a href="http://welcome.compass-group.ch/">http://welcome.compass-group.ch/</a>
<b>Procomed</b>	<a href="http://www.procomed.ch">www.procomed.ch</a>	<b>Chez Ma Cousine</b>	<a href="http://www.chezmacousine.ch">www.chezmacousine.ch</a>	<b>ZFV</b>	<a href="http://www.zfv.ch">www.zfv.ch</a>
<b>Restorex</b>	<a href="http://www.restorex.ch">www.restorex.ch</a>	<b>Le Relais de l'Entrecôte</b>	<a href="http://www.relaisentrecote.fr">www.relaisentrecote.fr</a>	<b>SV Group</b>	<a href="http://www.sv-group.ch">www.sv-group.ch</a>
<b>Cash Hôtel</b>	<a href="http://www.cash-hotel.ch">www.cash-hotel.ch</a>	<b>Hiltl</b>	<a href="http://www.hiltl.ch">www.hiltl.ch</a>	<b>First Catering</b>	<a href="http://www.firstcatering.ch">www.firstcatering.ch</a>
<b>GastroHeld</b>	<a href="http://www.gastro-held.ch">www.gastro-held.ch</a>	<b>Talvo</b>	<a href="http://www.talvo.ch">www.talvo.ch</a>	<b>Melt</b>	<a href="http://www.meltcatering.ch">www.meltcatering.ch</a>
<b>Service Équipement</b>	<a href="http://www.service-equipement.ch">www.service-equipement.ch</a>	<b>Ristorante Cooperativo</b>	<a href="http://www.cooperativo.ch">www.cooperativo.ch</a>	<b>Kochwerkstatt</b>	<a href="http://www.kochwerkstatt.ch">www.kochwerkstatt.ch</a>
				<b>Chris Gretener Catering</b>	<a href="http://www.cgcatering.ch">www.cgcatering.ch</a>
				<b>Cassis</b>	<a href="http://www.cassis-catering.ch">www.cassis-catering.ch</a>
				<b>Attichoque</b>	<a href="http://www.artichoque.ch">www.artichoque.ch</a>
				<b>Mangosteen Catering</b>	<a href="http://www.mangosteen.ch">www.mangosteen.ch</a>
				<b>Senses</b>	<a href="http://senses-catering.ch/">http://senses-catering.ch/</a>

## United Kingdom

Distributors	
Company	Website
Nisbets	<a href="http://www.nisbets.co.uk">www.nisbets.co.uk</a>
Lockhart	<a href="http://www.lockhartcatering.co.uk">www.lockhartcatering.co.uk</a>
Bidvest 3663	<a href="http://www.3663.co.uk">www.3663.co.uk</a>
Pattersons	<a href="http://www.pattersons.co.uk">www.pattersons.co.uk</a>
Brakes Catering Equipment	<a href="http://www.brakesce.co.uk">www.brakesce.co.uk</a>
York Catering	<a href="http://www.yorkcatering.co.uk">www.yorkcatering.co.uk</a>
Stephensons	<a href="http://www.stephensons.com">www.stephensons.com</a>
Alliance Online	<a href="http://www.allianceonline.co.uk">www.allianceonline.co.uk</a>
CS Catering Equipment	<a href="http://www.cs-catering-equipment.co.uk">www.cs-catering-equipment.co.uk</a>
A.J. Stuart	<a href="http://www.ajstuart.co.uk">www.ajstuart.co.uk</a>
Wards catering	<a href="http://www.wardscatering.co.uk">www.wardscatering.co.uk</a>
Lincat	<a href="http://www.lincat.co.uk">www.lincat.co.uk</a>
Russums	<a href="http://www.russums-shop.co.uk">www.russums-shop.co.uk</a>
Johnsons Catering Equipment	<a href="http://www.johnsonscce.co.uk">www.johnsonscce.co.uk</a>

Final Clients			
Restaurant Chains	Website	Catering	Website
Chicken Cottage	<a href="http://www.chickencottage.com">www.chickencottage.com</a>	The London Kitchen	<a href="http://www.thelondonkitchen.com">www.thelondonkitchen.com</a>
Dixy Chicken	<a href="http://www.dixychicken.com">www.dixychicken.com</a>	Purple Grape Catering	<a href="http://www.purplegrapecatering.co.uk">www.purplegrapecatering.co.uk</a>
Nando's	<a href="http://www.nandos.com">www.nandos.com</a>	Hepworth's Kitchen	<a href="http://www.hepworthskitchen.com">www.hepworthskitchen.com</a>
Eat	<a href="http://www.eat.co.uk">www.eat.co.uk</a>	Bread & Honey	<a href="http://www.breadandhoneyevents.co.uk">www.breadandhoneyevents.co.uk</a>
Fine Burger	<a href="http://www.fineburger.co.uk">www.fineburger.co.uk</a>	Food by Dish	<a href="http://www.dishcatering.co.uk">www.dishcatering.co.uk</a>
Pret a Manger	<a href="http://www.pret.com">www.pret.com</a>	Titbits Catering	<a href="http://www.titbitscatering.co.uk">www.titbitscatering.co.uk</a>
Whitbread (several brands)	<a href="http://www.whitbread.co.uk">www.whitbread.co.uk</a>	By Word of Mouth	<a href="http://bywordofmouth.co.uk">http://bywordofmouth.co.uk</a>
Gourmet Burger Kitchen	<a href="http://www.gbk.co.uk">www.gbk.co.uk</a>	Create	<a href="http://www.createfood.co.uk">www.createfood.co.uk</a>
Giraffe	<a href="http://www.giraffe.net">www.giraffe.net</a>	Harbour & Jones Events	<a href="http://www.harbourandjonesevents.com">www.harbourandjonesevents.com</a>
The Restaurant Group (several brands)	<a href="http://www.trgplc.com">www.trgplc.com</a>	In or Out Events	<a href="http://www.inn-or-out.com">www.inn-or-out.com</a>
Wetherspoon	<a href="http://www.jdwetherspoon.co.uk">www.jdwetherspoon.co.uk</a>	Jackson Gilmour	<a href="http://jacksongilmour.com">http://jacksongilmour.com</a>
OK Diner	<a href="http://www.okdiners.com">www.okdiners.com</a>	Party Ingredients	<a href="http://www.partyingredients.co.uk">www.partyingredients.co.uk</a>
Wimpy	<a href="http://www.wimpy.uk.com">www.wimpy.uk.com</a>	Rhubarb	<a href="http://www.rhubarb.net">www.rhubarb.net</a>
		Rocket	<a href="http://www.rocketfood.net">www.rocketfood.net</a>
		Ampersand	<a href="http://www.ampersandcatering.co.uk">www.ampersandcatering.co.uk</a>
		Bubble Food	<a href="http://www.bubblefood.com">www.bubblefood.com</a>

### **Annexe III – Contacts in target markets for business information**

#### **Austria**

- Portuguese Embassy ([viena@mne.pt](mailto:viena@mne.pt)).
- Austrian business agency ([www.aba.gv.at](http://www.aba.gv.at)); support in company formation.
- Wirtschaftsagentur Wien ([www.wirtschaftsagentur.at](http://www.wirtschaftsagentur.at)); support in company formation.

#### **Germany**

- Portuguese Embassy (<http://www.botschaftportugal.de/pt/index.html>).
- Chamber of Portuguese-German commerce ([www.ccila-portugal.com](http://www.ccila-portugal.com)); assistance on the search for commercial agents.
- German association of commercial agents ([www.cdh.de](http://www.cdh.de)); assistance on the search for commercial agents.

#### **Ireland**

- Portuguese Embassy ([www.embassyportugal.ie](http://www.embassyportugal.ie)).
- IDA (<http://www.idaireland.com/>); agency for the promotion and support of investment in Ireland.
- Enterprise Ireland ([www.enterprise-ireland.com/en/](http://www.enterprise-ireland.com/en/)); agency for the promotion and support of foreign investment in Ireland.
- Shannon Development ([www.shannondev.ie](http://www.shannondev.ie)); agency for the promotion and support of foreign investment in Ireland.
- Údarás na Gaeltachta ([www.udaras.ie](http://www.udaras.ie)); agency for the promotion and support of foreign investment in Ireland.
- Patents Office (<http://www.patentsoffice.ie/en/patents.aspx>); agency for the promotion and support of foreign investment in Ireland.

#### **Netherlands**

- Portuguese Embassy ([info@portembassy.nl](mailto:info@portembassy.nl)).
- EVD ([www.evd.nl](http://www.evd.nl)); support to external commerce.
- NFIA ([www.nfia.com](http://www.nfia.com)); Dutch agency to foreign investment.



### **Sweden**

- Portuguese Embassy (<http://www.embassyportugal.se/>).
- Swedish Trade & Investment Council ([www.business-sweden.se](http://www.business-sweden.se)); support to foreign companies entering the Swedish market.

### **Switzerland**

- Portuguese Embassy ([genebra@mne.pt](mailto:genebra@mne.pt)).
- Switzerland Global Enterprise (<http://www.s-ge.com/global/invest/en>); agency for the promotion and support of foreign investment in Switzerland.

### **United Kingdom**

- Portuguese Embassy (<http://portuguese-embassy.co.uk/>).
- DFID (<http://www.dfid.gov.uk/>); department for international development.
- UK Trade & Investment (<http://www.ukti.gov.uk/home.html?guid=none>); support to foreign companies entering the UK market.
- Thames Valley Chamber of Commerce (<http://www.thamesvalley.co.uk/>); one of the most important chambers of commerce in the country.

## **Annexe IV – Target Countries’ business culture and formalities**

### **Austria** (AICEP, 2013a)

#### **Formalities**

- Importance of titles (specially, academic titles), that must be used every time when talking to the person.
- Austrians are business partners of great fidelity.
- Use of suit and tie are mandatory.
- Punctuality is always required.

#### **Business Culture**

- Precision, quality and punctuality are very important factors both in the delivery of orders, as well as in business meetings.
- Business phone calls must be short and direct to the point.
- Meetings always start with exchange of business cards that must contain the title and function that the person performs in the company (in English).
- Austrians are very proud of their gastronomy and wines; praise to that after talking businesses is appreciated.
- Utility, quality and superiority of the innovation must be demonstrated at the first time; if not, they lose interest in the product.
- Following contacts and assiduous presence in the markets is fundamental (this includes visiting partners and clients every year, as well as participate in trade shows).

### **Germany** (AICEP, 2014)

#### **Formalities**

- Use of German language; avoid instructions manuals written in English or “weak German”. The ideal is to use a translator company with native German speakers.
- Punctuality is mandatory. Arrive earlier is advisable.
- Address to German people by Mr./Ms., followed by the title (Dr), and then the surname.
- Handshake is the common greeting.

## **Business Culture**

- Invest in Germany demands a long-term strategy, solid financial resources and a management team with an active role on company's growth.
- The most common way to initially approach the German market is by participating in trade shows. The next step, is to contact a commercial agent
- A typical work day starts very early and finishes sooner. Therefore, business meeting should be schedule for the beginning of the day.
- Presentations must include all information. Documentations must be clear, systematic, precise and detailed. Germans appreciate honesty and objectivity, and love the use of examples.
- Despite the existence of some hierarchy, decisions are not concentrated at the top and the responsibility usually stays on the side of the department director.
- Decisions are made by Germans after a long and intense work process. And when a decision is taken, they stay with it and are very inflexible.

## **Ireland** (AICEP, 2013c)

### **Formalities**

- Irish businessmen are extremely professional and very frontal. However, they operate in a very informal and relaxed way.
- After the first meeting is possible to appeal the person by the first name.
- The use of suit and tie is advisable at least in the first contact.

## **Business Culture**

- Business meetings usually start and end with a "small-talk" (sports, weather, etc.) in order to create a relaxed environment.
- Is part of the business culture to continue meetings after the working hours, usually in a *pub*.
- Some themes should be kept out of the conversation during meetings, such as age, civil state, religion and the conflict with Northern Ireland.
- English language is used in all negotiations.

### **Netherlands** (AICEP, 2013d)

#### **Formalities**

- Handshake is the most common greeting, both for men and woman.
- Academic titles aren't usually used (only Sir/Madam), and after the first meeting is normal to use the first name.
- Punctuality is mandatory, and people should arrive to meetings minutes earlier.
- Lifestyle is very sober and is advisable to use suit and tie.
- English is the language used in businesses.

#### **Business Culture**

- Normal to offer tea, coffee or water during meetings.
- Negotiations must be prepared with extreme accuracy and requested with weeks of antecedence.
- Dutch people are very straightforward, and do not waste time when not interested in the product/service.
- Usually distributors demand exclusive distribution, due to the competitiveness of the market.
- Prices should be defined at the beginning of the relationships, once Dutch don't like to bargain.
- Normally, meetings are not extended beyond working hours.

### **Sweden** (AICEP, 2013f)

#### **Formalities**

- English is the official business language and would be a disadvantage to the Portuguese businessmen to use a translator.
- Punctuality is very important, and any delay is considered rude.
- During working hours outfits are usually informal, however at lunches/dinners suit and tie is advisable.

#### **Business Culture**

- Meetings should be very well prepared, once professionalism is extremely valued.

- Would be a big advantage to present a value proposal based especially on the price/quality pillars, once it is a market with a very high purchase power, informed consumers and that orient decisions based on the *value for money*.
- Meetings should be scheduled with antecedence, due to the high rigor regarding planning.
- Final decisions aren't quickly made and demand certain perseverance. It is a good idea to invite the Swedish company to visit the Portuguese installations in order to increase trust.

### **Switzerland** (Santander, 2015)

#### **Formalities**

- Handshake is the usual greeting, both male and female.
- Address to Swiss adults by their professional or courtesy title followed by their surname until invited to address them by their first name.
- The Swiss are very punctual. It is advisable to arrive at the exact time, not earlier.
- Be always well presented and remain very polite.

#### **Business Culture**

- Meetings are always by appointment, and a personal call will be more effective.
- Normally, business relations are personal relations. However, German Swiss tend to get straight down to business, while the French and Italian Swiss will expect some preliminary "small talk" and may even offer a drink.
- Business is regarded with the greatest seriousness and humour has no place in negotiations.
- The Swiss are very private people, so asking personal questions should be avoided.
- The Swiss are good listeners and extremely attentive; rarely interrupt and expect the same from others.

### **United Kingdom** (AICEP, 2013e)

#### **Formalities**

- Punctuality is much appreciated.
- The British are demanding businessmen ("value for money").

- Address to people by their professional title or by *Mr.*, *Mrs.*, or *Miss*, followed by its surname.

**Business Culture**

- Exhibit or visit trade shows in the UK is an interest meeting point to companies and commercial agents.
- Usually the rate of answers to e-mails is very low. So, is important to obtain the right contacts inside the company, send all the information in English and subsequently make the follow-up by phone.
- Personal relations are fundamental and trips to the country are necessary. Also, invite British clients to visit the Portuguese installations is a good idea.
- During meetings should be avoided talk about politics and sensitive themes.

## Annexe V – Media Kits

Country	Magazine/Journal	WEBSITE	Number of editions	Circulation	1 Page	1/2 Page	1/3 Page	1/4 Page
Austria	Cooking	<a href="http://www.oe24.at">www.oe24.at</a>	Weekly	95.000	10.900 €	5.900 €	-	2.800 €
Germany	AHGZ	<a href="http://www.ahgz.de">www.ahgz.de</a>	Weekly	15.000	5.110 €	5.020 €	3.565 €	2.900 €
	Catering Management	<a href="http://www.catering.de">www.catering.de</a>	10/year	20.000	7.750 €	6.175 €	4.225 €	3.075 €
	Gastgewerbe Magazin	<a href="http://www.gastgewerbe-magazin.de">www.gastgewerbe-magazin.de</a>	10/year	29.000	4.500 €	2.310 €	1.550 €	1.175 €
	Gastronomie & Hotellerie	<a href="http://www.gastronomie-hotellerie.com">www.gastronomie-hotellerie.com</a>	10/year	21.000	5.560 €	2.820 €	1.890 €	1.430 €
	Küche	<a href="http://www.cook-and-sell.de">www.cook-and-sell.de</a>	12/year	17.559	7.790 €	5.350 €	3.440 €	2.730 €
	Gastrotel	<a href="http://www.gastrotel.de">www.gastrotel.de</a>	6/year	100.392	9.230 €	4.615 €	3.075 €	2.305 €
	First Class	<a href="http://www.firstclass-online.com">www.firstclass-online.com</a>	10/year	18.256	5.920 €	3.140 €	2.130 €	1.990 €
	eFood-Lab	<a href="http://www.food-lab-int.com">www.food-lab-int.com</a>	4/year	41.000	3.100 €	2.240 €	1.840 €	1.440 €

	<b>GVmanager</b>	<a href="http://www.gvmanager.de">www.gvmanager.de</a>	10/year	13.118	5.860 €	3.255 €	2.385 €	1.790 €
<b>Ireland</b>	<b>Irish Food</b>	<a href="http://www.irishfoodmagazine.com">www.irishfoodmagazine.com</a>	7/year	-	2.800 €	1.500 €	-	-
	<b>Easy Food</b>	<a href="http://easyfood.ie">http://easyfood.ie</a>	10/year	20.091	Contact for further information			
<b>Netherlands</b>	<b>Entree Magazine</b>	<a href="http://www.entreemagazine.nl">www.entreemagazine.nl</a>	11/year	28.000	2.950 €	1.750 €	-	950 €
<b>Sweden</b>	<b>Fool</b>	<a href="http://www.fool.se">www.fool.se</a>	2/year	15.000	1.515 €	-	-	-
<b>Switzerland</b>	<b>HORECA</b>	<a href="http://www.mediaffair.ch">www.mediaffair.ch</a>	6/year	10.500	2.630 €	1.370 €	-	713 €
	<b>Gastro Journal</b>	<a href="http://www.gastrojournal.ch">www.gastrojournal.ch</a>	Weekly	25.000	7.430 €	3.715 €	-	1.857 €
<b>UK</b>	<b>Food processing - Technology</b>	<a href="http://www.foodprocessing-technology.com">www.foodprocessing-technology.com</a>	-	-	Contact for further information			
	<b>The Caterer</b>	<a href="http://www.thecaterer.com">www.thecaterer.com</a>	11/year	-	5.392 €	3.600 €	-	2.156 €
	<b>Catering Insight</b>	<a href="http://www.cateringinsight.com">www.cateringinsight.com</a>	12/year	4.010	4.340 €	2.604 €	-	1.560 €
	<b>Food &amp; Drink Technology</b>	<a href="http://www.foodanddrinktechnology.com">www.foodanddrinktechnology.com</a>	12/year	5.880	Contact for further information			
	<b>Food Manufacture</b>	<a href="http://www.foodmanufacture.co.uk">www.foodmanufacture.co.uk</a>	12/year	10.970	2.940 €	2.175 €	-	1.334 €
	<b>Food Management Today</b>	<a href="http://www.foodmanagement.today">www.foodmanagement.today</a>	6/year	-	2.840 €	1.560 €	-	990 €

Source: own elaboration through independent research