

A Work Project presented as part of the requirements for the Award of a Master's degree in Management from the Nova School of Business and Economics.

THE INTERNATIONALISATION CASE OF FiB
THE FINANCIAL ANALYSIS OF FiB EXPANSION TO FRANCE

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04-01-2021

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List of Abbreviations

EU	European Union
FiB	Fictious Company's Name
NPV	Net Present Value
NWC	Net Working Capital
MCAR	Missing Completely at Random
OPF	Organic Packaged Food
SME	Small Medium Enterprise
WTP	Willingness to Pay
CAPM	Capital Asset Pricing Method
FCF	Free Cash Flow
FiB	Fictious Company's Name
HGF	Healthy & Green Families
MRP	Market Risk Premium
NPV	Net Present Value
NWC	Net Working Capital
OE	Organic Enthusiasts
OPF	Organic Packaged Food
WACC	Weighted Average Cost of Capital

Note: The exhibits contain hyperlinks, to go to the appendix and to come back to the main text.

Abstract

The purpose of this work project is to develop an internationalisation plan for FiB, a Portuguese SME. The market evaluation and selection were performed by using analytical approaches based on available secondary data. The international market selection was made by using preliminary screening techniques, the country clustering and ranking analysis, and an in-depth analysis of the countries with the greatest potential. France was the selected country to enter, through direct exporting with contracting. A business model and marketing plan were developed in order to support the strategic move. Finally, a financial forecast was performed, suggesting that the expansion project will be profitable and worthwhile.

Keywords

Internationalisation Strategy, International Market Selection, Strategic Analysis, Organic Products, Prickly Pear

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209)

1. Introduction

Geographic expansion is one of the most crucial paths for firm growth, particularly for SMEs, that can achieve a higher volume of sales and diversify its production and association risks, by taking advantage of other markets' growth and development (Barringer and Greening 1998). Commonly, smaller firms do not consider an internationalisation strategy a priority due to challenges related to financing and lack of expertise and resources. However, sooner or later, in order to pursue growth and higher return to resources, SMEs should “*adopt a geographic expansion strategy to pursue new opportunities to leverage core competencies across a broader range of markets*” (Hitt, Zahra, and Ireland 2000).

The purpose of this report is to improve the competitiveness of FiB and its internationalisation process. FiB is an organic farming firm that strongly needs to expand and sell its products to other countries, mainly because there is limited demand for its premium products in Portugal. The company's CEO suggested the development of an internationalisation plan for the range of FiB's premium by-products, which will be the focus of our analysis in this research project. The identification of attractive markets with high potential and in turn, the creation of a viable entry strategy is decisive for the short and long-term survival of the firm and its growth.

This report aims to provide relevant insights of the market in which FiB operates, where its products can add value, and ultimately to create an implementation plan for the company to start executing in early 2021.

Four main parts will compose this research project. The first one is focused on the internal analysis, in order to understand the firm's resources and capabilities, its specific competitive advantages and global readiness, as well as on the external analysis to gain valuable insights about the organic industry, the prickly pear market and the country-specific advantages.

The second part will be centred on the market selection for the international expansion of FiB, which will be done by performing first a preliminary screening analysis, applying a clustering and ranking analysis, that will enable the choice of four attractive countries for an in-depth analysis. Based on that, the market with the highest potential will be selected and an international entry strategy will be suggested, as well as the business model that will support a successful and sustainable expansion. The final part will be focused on the implementation, where the group will develop a marketing plan that encompasses a marketing and communication strategy for the first five years, and a financial plan forecast which is crucial to assess the project feasibility and its capacity to generate profits.

2. Company Situation and Market Analysis

2.1 Company Profile

Founded in 2013, FiB is a certified organic farming business which plants prickly pear and olives. It is a company based in Évora that markets prickly pear and its by-products, olive oil and a range of products made from cork. FiB aims to become a leading Portuguese producer of organically farmed prickly pear of excellent standards [[Exhibit 1](#)]. To mitigate the effects of seasonality and avoid waste, in 2018 it partnered with other companies and started using the fruit surplus, approximately 60% of the total production, to create by-products. The firm sells food products, such as organic condiments (i.e., olive oil and vinegar), honey, jam, and cosmetics, namely a wide range of soaps with different fragrances and seeds oil [[Exhibit 2](#)]. FiB also sells complementary products such as cork bases and cork cruet as it also provides experiences and workshops in its grove.

Its growth strategy is based on the ongoing improvement of production and harvesting techniques, as well as in the research and development in the quest of new uses for the fruit and its by-products and potential benefits, aiming to launch one to two new products every year.

However, FiB exposes a critical issue: it has not been financially viable since its foundation, being this the moment to turn around the business, making use of international markets.

2.1.1 FiB Financial Analysis

The basis for this analysis was secondary data from Orbis as FiB did not provide enough information for the performance of financial ratios, crucial to understand the financial situation of the company. As previously mentioned, FiB presents a fragile financial picture. However, one should stress that FiB is a recent enterprise that has been investing a lot, which was not able to recover those investments yet and where sales are still not sufficient to cover expenses.

In terms of profitability, ratios were strongly negative between 2017 and 2018, the years which proceeded the most significant investments in rehabilitation works, but with very few sales. Last year's results are more forward-looking. EBITDA reached a positive value of € 12 666, which represents a margin of 12%. However, the profit margin was still -32% due to huge depreciation expenses, that accounted for € 40K. Moreover, although sales have increased from € 19,9K in 2018 to € 44,1K in 2019, they were still insufficient to pay, for example, external suppliers, an expense that amounted to € 74K. Despite this, FiB was able to leverage 2019's profitability ratios due to monetary prizes of € 44,9K [Exhibit 3].

Concerning operational ratios, the credit period was inferior to the collection period in 2019, which in terms of running operations is not favourable as the company takes more days to receive from its debtors than to pay to its creditors. On another note, in 2019 the net assets turnover reached its highest value, where per euro of assets, FiB generated € 0,35 of operating revenue. Furthermore, regarding structure ratios, the worse situation arose last year with total debt surpassing assets' value due to significant accumulation losses since 2016 [Exhibit 4].

Nevertheless, being most debt classified as non-current, FiB enjoys a relatively favourable liquidity position, with both the current and liquidity ratios higher than one, meaning the

company can pay off its current debt with its current assets. However, if FiB wished to liquidate all of its current liabilities with cash, it would not be able to do it, considering that the cash ratio has been less than one¹. To conclude, the group can claim that although FiB presents a very fragile financial position, overall, its finance has been improving, mostly concerning its sales revenues and profitability ratios [Exhibit 5].

FiB's financial analysis brought up some of the challenges faced by a company in the growth stage. When a company needs to spend money to make money, cash flow problems can arise. Without a good and safe source of revenue, this type of problems can be unsustainable. Moreover, as the company starts to grow, it is essential to delegate tasks and learn how to do it. This step will be crucial for sustaining FiB's growth. At this point, the CEO needs to look beyond the costs that hiring entails as they might be responsible for improving payment and receiving contracts and a more effective marketing and sales (Carpenter and Sanders 2014a).

2.2 Market Analysis: Industry-specific

2.2.1 Organic market

In this section, an in-depth analysis of the organic industry will be done, with a great emphasis on manufacturing products. According to the Department for Agriculture and Rural Affairs, organic food is "*the product of a farming system which avoids the use of man-made fertilisers, pesticides, growth regulators and livestock feed additives*" (BBC n.d.). In its turn, organic cosmetics can be defined as products using organically farmed ingredients, whose growth are free from genetically modified organisms, herbicides, synthetic fertilisers and more (Soil Association n.d.).

According to the latest FiBL & IFOAM Report (2020), in 2018, organic hectares reached 71,5M worldwide and at least were 2,8M organic producers, where about 80% of them were

¹ It has been increasing since 2017, reaching 63% of current debt in 2019, but still lower than one.

smallholders in low and middle-income countries. Despite the sustained growth of organic food sales, demand is still very concentrated in North America and Europe, and although the share of both regions is dropping, they still comprise an ample amount of global sales. Organic food & drink sales reached around € 97B in 2018, being the countries with the largest markets the US (€ 40,6B), Germany (€ 10,9B) and France (€ 9,1B). Furthermore, Denmark and Switzerland were the countries that showed the highest per-capita consumption, equalling € 312 (FiBL & IFOAM 2020).

Globally, this market is expected to accomplish a CAGR of 16,44% from 2020 until 2025, which might be explained by consumers' becoming increasingly aware on benefits of organic products on health and the belief that such products are safer, more nutritious and environmental-friendly when compared to conventional goods (Mordor Intelligence 2019). On the other hand, concerning non-food products, 2018's global market value for natural & organic beauty was € 28,29B² (Statista 2020a), with the US and China taking the lead globally. In Europe, the strongest players are Germany, France and Italy (Statista 2020c).

The organic industry is becoming more popular with the demand for organic products growing at a high rate and, generally, higher than the supply. This market gap might be arising because, in particular, the organic food sector has been considered one of the most regulated industries in Europe and North America, which might hinder new players from joining the market (Oraman 2014). Nonetheless, mass merchandisers emerged as new sellers of these products (FiBL & IFOAM 2020), by creating their private labels in the attempt of placing themselves in the price and quality levels, mainly in food categories (Jonas and Roosen 2005). Despite this, the biggest global players are *ConAgra* brand, *Amy's Kitchen* and *Dean Foods*, all American-based manufacturers (Mordor Intelligence 2019).

² Disclaimer: an exchange rate of 0.82€/€ was applied (European Central Bank n.d.)

Overall, the organic market has a high degree of differentiation explained not only by the wide range of different products but also by the different flavours and tastes (Zanoli and Naspetti 2006). On another note, non-organic products are still considerably less expensive and represent the most significant portion of the market. Even with consumers becoming more conscious of their purchases (Faria-Silva et al. 2020), organic products are still perceived with high premium prices (Sharma and Singhvi 2018).

In terms of **regulations**, 86 countries had organic standards in 2019 (68 of them with fully implemented regulations and 18 had developed regulations) and 17 were in the process of drafting legislation (FiBL & IFOAM 2020). Moreover, to facilitate trade within blocks of countries, there are currently 48 countries that have adopted regional strategies, being the most important one the EU regulation on organic production. Internationally, the IFOAM - Organics International puts efforts in the promotion of equal and harmonised standards, once more to facilitate the trade of heavily regulated products.

On the side of the **consumers**, and to better understand their purchasing decision and behaviour in the industry where FiB operates, it is essential to grasp its decision journey and the factors that most influence it. Organic food is chosen and consumed mainly by people aged 30-40 years old, with a higher proportion of women holding positive attitudes towards organic goods (Rennie, Shafie 2012). Consumers of organic food also tend to have higher education and high paid jobs, with household income having a significant positive correlation with organic food purchases (Marketline 2014). These consumers are more conscious about the benefits of organic products and easily recognise the label of organic farming (Truninger 2008). This is the socio-demographic profile of the organic consumer, guided and influenced primarily by the perception that such goods are safer, healthier, environmentally friendly and of higher quality (Ariff, Ismail, and Ishak 2014). Lastly, health concern emerges as the most vital reason for purchasing and consuming organic food (Foster and Padel 2005).

2.2.2 Prickly Pear Market

Prickly pear is a crucial source of subsistence in rural areas with low population and economic problems. This fruit has been considered a superfood with numerous health benefits. Promoted for its antiviral and anti-inflammatory properties, prickly pear is used to treat diabetes, high cholesterol, obesity and hangovers (Zeratsky 2018). Its production requirements are low, and it often spreads rapidly in vacant land, being Portuguese warm weather and arid soil ideal for its development. Despite its consumption being mainly associated with local ethnic markets, there has been an increment on exports due to growing international demand.

Nevertheless, the consumption of prickly pear in Europe is still highly diffuse, which might be explained by the vast supply of fruits from another species. Currently, potential buyers of this fruit are in countries of Western and North of Europe. Mexico is the largest producer, accounting for 80% of global production, followed by Italy (12.2%) and South Africa (3.7%) (INIAV 2016). Although each country displays different periods of production, prickly pear is sold in the market seasonally. Finally, it is possible to find a great variety of by-products, not only in the food category (vinegar, oil, juices, jam, alcoholic drinks) but also in the cosmetics group (soap, body oils/creams and shampoos).

2.3 SWOT Analysis

The *“SWOT Analysis is a simple but powerful tool for sizing up an organisation’s resource capabilities and deficiencies, its market opportunities, and the external threats to its future”* (Thompson et al. 2007). After succinctly overviewing the story and business of FiB and analysing the organic food and the prickly pear markets, this tool will sum up the situation analysis the group has on hands and will help to identify organisational and environmental factors, essential to plan feasible future strategies for the company (GÜREL 2017). The SWOT framework involves two dimensions, internal – including the strengths and weaknesses – and

external – containing the opportunities and threats. By doing so, the tool will also be a guide to formulate the firm-specific advantages, that will come in the following section.

Table 1: SWOT Analysis

Strengths	Weaknesses
<p>Top 3 producer in Portugal;</p> <p>Development & commercialisation of finished products from “obsolete” prickly pear to be sold in the supermarket;</p> <p>Wide range of products sold, from food to non-food allows the mitigation of seasonality risks and innovation in surprising customers;</p> <p>Empowerment of local workers;</p> <p>100% organic farming with a high commitment to environmental protection;</p> <p>Strategic Partnerships with specialised and experienced manufacturers (for the by-products) that allow the firm to focus on its core activity;</p> <p>Continuous innovation of products- one of the strategic objectives of FiB is to launch at least two new products per year;</p> <p>Agri-tourism activities as educational & farming experiences and tasting events.</p>	<p>Impossibility to satisfy large international orders of prickly pear (the fresh fruit) due to capacity constraints, which make it harder to capture revenue in big markets;</p> <p>Due to Covid-19 and the subsequent difficulty in travelling, there has been an increased difficulty in letting people know their products in international markets for potential partners and customers;</p> <p>Lack of personnel – no one responsible for their strategy and marketing plans;</p> <p>Weak financial situation, high level of debt and a high level of depreciation.</p>
Opportunities	Threats
<p>Society is increasingly concerned about food security, its impact on their health and sustainability issues; increasing demand for products free from fertilisers and pesticides (Falguera, Aliguer, and Falguera 2012);</p> <p>Consumers as drivers of innovation as they become more aware of the usage of products;</p> <p>Large food retailers are more active in selling organic products and setting up supply chains for their organic products (FiBL & IFOAM 2020);</p> <p>Food ingredients are progressively being part of cosmetics composition, as those have specific benefits for skincare (Falguera, Aliguer, and Falguera 2012);</p> <p>Prickly pear: wide range of differentiation opportunities; added value creation through the ripe fruit inadequate to sold (creation of by-products); environmental-friendly plant as it can absorb CO₂ (FAO 2013); several health benefits.</p>	<p>Increasing competition, therefore more efficient processes are needed to reduce costs and compete on prices (Luzon, Marques, and Anturi 2018);</p> <p>Increase of competing labels such as “vegan”, “healthy”, “sustainable”, and “natural ingredients” (FiBL & IFOAM 2020);</p> <p>Conventional channels setting new formal requirements that go beyond mandatory government regulations, thereby hindering suppliers’ positions (Luzon, Marques, and Anturi 2018);</p> <p>Supermarkets’ fierce pricing policies jeopardise small local producers, giving preference to external large corporate companies (Luzon, Marques, and Anturi 2018);</p> <p>The Covid-19 pandemic has weakened countries’ economies and the purchasing power of families (OECD 2020a);</p> <p>Prickly pear: Poor knowledge about the fruit and its by-products.</p>

The SWOT shows that FiB is positioned in an up-and-coming market with great opportunities ahead and thus with increasing competition. Moreover, although organic products are perceived as healthy, they are also seen as more expensive than conventional offers, which might hinder

sales. The Covid-19 pandemic has accentuated this phenomenon. Even though people are looking for healthier products, countries' economies are weakened, and families have less purchasing power. In terms of internal capabilities, innovation is the main strength of FiB and might be crucial when targeting international markets. On the other hand, FiB will have to approach new markets in a low-cost manner due to its financial situation.

2.4 Firm-Specific Advantages

Companies acquire sustainable competitive advantage through their ability in developing a unique set of resources and competencies so that they can serve their targeted consumers better than their competitors (Srivastava, Franklin, and Martinette 2013). Some of the factors that build the competitive advantage of a firm are product uniqueness and quality (Dirisu, Iyiola, and Ibidunni 2013). FiB offers a wide range of unique and differentiated products, based on good agricultural and environmental practices that guarantee their high quality and singularity (FiB n.d.). FiB outsources the manufacturing and packaging activities of its by-products, that are done by specialised partners with know-how and experience. This allows the firm to focus on its core activity, the organic farming.

This agricultural project is 100% biological and committed to the environment, being governed by the values of “*sustainability and environmental responsibility, biodiversity preservation, protection of health and wellbeing and in the valorisation of natural and organic foods as well as in the protection of our agroforestry heritage*” (FiB n.d.). These values and culture build a solid brand reputation, which is a crucial intangible asset that enables superior performance in value creation and in the firm's activities. Their low-cost sustainability strategies (e.g., efficient water use, solar energy use and “zero waste” culture) combined with the differentiation strategies associated with sustainability (e.g., branding, customer education and sustainable product development) aim to contribute to the competitive advantage of the business, providing superior value, both through lower costs and increased benefits. FiB recruitment policy laid on

hiring personal from the villages close by and the recovery of Vale do Pereiro train station as a space to sell their products, further fits in the company's sustainable approach.

Another important factor is new product innovation, as, the higher it is, the higher the sustainable competitive advantage (Kuncoro and Suriani 2015). FiB is continuously innovating, being one of its strategic objectives to launch at least two new products each year. The creation of new products mitigates the effects of fruit seasonality and increases customers' brand awareness and loyalty.

The firm invests heavily in R&D, having several partnerships with universities and companies, in order to increase its knowledge about the potential of its raw materials and to develop new and unique products. Such investment allows the company to stand out its brand position in the market, strengthened by its online presence on the social media and website.

On a different and final note, FiB was able to further diversify its portfolio of products and farming activities, by introducing and selling agritourism activities, mainly educational and farming experiences, as well as tasting events. Under this matter, FiB repaired an old train station, enabling an experience through the plains in Alentejo and a visit to the orchard of prickly pear. According to literature, agritourism activities are a "*source of additional farm income and opportunities*" (Privitera 2010). Thus, this approach can be seen as a revenue risk management strategy, allowing farmers to generate extra revenue, for example, during off-season periods, at a minimal additional investment (Mahaliyanaachchi 2015).

Moreover, organic agritourism activities provide a new outlet of products (fresh fruit and by-products), and it is an opportunity for "*consumers and farms to generate a meaningful exchange of values*" (Privitera 2010). Concluding, through risk diversification FiB can build a firm-specific advantage. (Rugman and Collinson 2006).

To sum up, FiB's commitment to continually innovate and upgrade a unique portfolio of differentiated products is the basis of their sustainable competitive advantage. FiB's firm-specific advantages are crucial not only to strength and sustain its national market position but also to integrate international markets successfully.

2.5 Country-Specific Advantages

According to Porter (1990), acts of innovation are crucial for countries to succeed in international markets and to achieve competitive advantage. However, one should be able to explain why there are companies established in certain countries more capable of constantly upgrading than others.

After many theories about international trade being developed, Porter (1990) advanced with a new theory to explain national competitive advantage based on the National Diamond, a system built through the identification of four classes of country attributes and its interrelations: factor conditions, demand conditions, related and support industries, and company strategy, structure, and rivalry. By applying this framework, the group aims to understand the degree of Portugal's contribution to the success of FiB and to the industry/business in which it operates internationally and, at the same time, identify the weak attributes in Portugal that are some of the reasons for the company to internationalise (AJ Smit 2010).

2.5.1 Factor conditions

Portugal is well known for the quality of its agriculture products, from olive oil, wine, fruit, vegetables, among others. This is possible due to a Mediterranean climate along with the availability of water resources (Consulai and VdA, n.d.). Agriculture is an economic sector with particular characteristics. The seasonality of agricultural products impacts the structure of the enterprises and the labour market. In Portugal, a significant number of agriculture enterprises contract seasonal external firms and labour costs are considerably lower when compared with

other European countries (Schröder 2013). It is also essential to point the existence of EU policies, such as the Common Agricultural Policy, to support and finance organic farmers in member states (EC 2019a). Likewise, the Rural Development Program of Portugal aims to support the activities of the agriculture sector based on efficient resource management, having provided an amount of € 3M in 2020 (Agência Lusa 2020).

Portugal stands behind most EU countries concerning population education. The adult literacy rate was reported at 96% in 2019 and considering all the Portuguese population of age 25-34, only 37% holds an academic degree, while the EU average is 39% (OECD 2020b). Regarding innovation of processes and services, Portuguese enterprises are considered more active comparing with the average in the EU. Nevertheless, Portugal is worse in innovation of manufactured goods and to bring new products to the market (Bonfim et al. 2013).

On another level, Portugal is well ranked concerning transport infrastructures. When evaluating the transport services and the quality of the road, Portugal scores above the EU average, while the efficiency of seaport services scores slightly below (EC 2020). Finally, and in compliance with the Global Competitiveness Report Index that measures the national competitiveness of 141 countries, Portugal occupies the 34th place of the list (WEF 2019).

2.5.2 Demand Conditions

Portuguese consumers have become increasingly conscientious of their purchasing choices, following the tendency of smart shopping (Silva 2017), which allows the consumers to be more pondered on their shopping decisions. Portuguese consumers are increasingly showing a higher WTP for products with an ethical component, opening several opportunities to brands that tackle this challenge and pushing them to upgrade and continuously innovate (Nielsen 2018).

Over the last few years, there has been an increasing demand for organic food in Portugal, boosting the number of organic shops, and raising sales of organic products in mainstream

supermarkets and organic food shops (FiBL & IFOAM 2020). Organic retail sales of packaged food and beverages in Portugal reached € 90M in 2019, with organic packaged food (OPF) representing more than 90%. These results are highly influenced by the increase in the demand for organic baby food and snacks, being the organic breakfast cereals and organic confectionery the two categories with highest % of total sales (Passport 2020b). Nonetheless, the Portuguese organic market is still a niche market, being at an early stage of development. The Portuguese population is price-sensitive, and organic brands are still perceived as premium and expensive. Notwithstanding the premiumness of organic products, the organic cosmetics sector has also been growing, with Portuguese consumers increasingly preferring this type of products. This is a promising sector since they are growing more conscious of health and the environment, as well as due to their increasing purchasing power over the years.

The change in consumer habits and consequent increase in consumption of tropical fruits leads to high interest and growth of the culture of prickly pear in Portugal. However, the Portuguese are in general conservative and resistant to change, which ends up being a disadvantage when new products show up in the market. Prickly pear and its by-products also attracts customers that look for new and rare products, being its consumption still very limited (INIAV 2016).

2.5.3 Firm strategy, structure, and rivalry

The Ease of Doing Business is a measure that “*compares business regulation environments across economies (...)*” (Doing Business 2020b) applied to local enterprises through different dimensions. These dimensions are scored, and a high overall score means that “*the regulatory environment is more conducive to the starting and operation of a local firm*” (Doing Business 2020b). In this context, Portugal scored 76.5/100, being the 39th among the 190 countries studied. Notably, in the dimension *trading across borders*, Portugal scored 100/100 (ranking

1st) and 90/100 in the dimension *starting a business*, representing a relatively easy process to start a business and to make it grow through exports.

Organic Food

In terms of OPF, the most prominent players in the market are companies that distribute and represent different international brands either in different sectors (baby food, breakfast cereals, processed meat and seafood or organic dairy) or in different points of sale (organic shops or big supermarkets). The leader in the Portuguese market is *Dietimport*, with almost 14% of the market in 2019. In terms of brands, the two brands with the highest market share are *Holle* and *Babybio*, with 9,8% and 5,3% respectively in 2019, both in the baby food category, being expected that new players will start to focus on this category (Passport 2020b).

Concerning Portuguese companies, the biggest firm and brand is *Seara Produtos Naturais*, with 3,7% of market share in 2019, that can be found in many supermarkets. Thus, it is readily available, explaining this way its strong position among its competitors (Passport 2020b). Nonetheless, most organic Portuguese brands are still young and at an early stage of development, mostly owned by SMEs. Either because of its size or strategy, the range of prices offered by them is still high (Truninger 2008).

The very premium prices and the increasing interest and consumption of organic products led the big retailers in Portugal to invest in their private labels, using pricing strategies to attract new consumers, which works very well in the country. Besides the standard private labels, discounted private labels from *Lidl* and *Aldi* are also “*capitalising on organic trends*”, offering very competitive prices (Passport 2020b). To conclude on this matter, private labels seem to be the new trend in the market, paving the way to increased growth rates in the OPF in Portugal.

Prickly Pear by-products

With the emergence of prickly pear production in 2009, producers felt the need to develop and start selling processed products to overcome the seasonality of this fruit (AJAP 2018). By doing this, they were able to innovate, to differentiate from its direct competitors and to get an extra source of revenue. Currently, the biggest producers of prickly pear have its own range of by-products (FiB, *Diálogos do Bosque*, *Figo d'Idanha*). Besides, there is a Portuguese brand (*Biopuntia*) that is focused on the creation of products made from organic prickly pear, either cosmetics or food. Concluding, although it is already possible to find a great variety of products (from vinegar, jams, and flours to shampoos and soaps) (Vida Rural 2019), there are still few brands, with very premium prices, and therefore direct competition is not fierce.

2.5.4 Related and Supporting Industries

Organic Farming

Organic brands, either food and beverages or cosmetics, are closely related to organic farming. They are the first players in the supply chain, as they produce the raw material that will be the basis of the final product. They are also one of the responsible for the product to be considered and labelled as organic. In 2018, 213 118ha were managed under organic agricultural procedures in Portugal, representing around 5,9% of all agricultural production areas. Furthermore, from 2007 to 2018, the number of organic producers increased from 1 949 to 5 213 (FiBL & IFOAM 2020) showing the growth of the industry, even in one of the most regulated industries in the EU (Jarossová 2019), and where knowledge and training are essential to comply with EU regulation on organic agriculture. Finally, in terms of size, most producers are small, being essential the formation of cooperatives and farmer associations that allow for internationalisation and growing power in the market (Portugalin n.d.).

Concerning prickly pear farming, it is estimated that currently, there are around 390 producers (AJAP 2018) distributed by 900ha (Vida Rural 2019). Because it is something very recent,

producers still have little knowledge about this fruit crop (INIAV 2016). Moreover, most plantations are small and managed under organic farming. Geography-wise, plantations are mainly concentrated in Beira Baixa, Alentejo, Algarve, and Madeira (AJAP 2018), regions with ideal conditions to produce this fruit. In terms of means, the biggest producers in Portugal show fragile financial statements (Sabi 2019a) (Sabi 2019b).

Agri-food Industry

“It includes production and industrial processing and manufacturing of vegetables, fruit, meat, oil crops and dairy products, among others, not to forget the flourishing wine and olive oil industries” (Portugalin n.d.). There are currently 788 organic processors in Portugal (FiBL & IFOAM 2020). Although this is not a vast number, in 2017, the agri-food industry counted with 9 327 firms in the food sector and 1 885 firms in the beverages sector, representing the most important industry in Portugal, accounting for 20% of the total industrial sector (INE 2019).

This shows that if there are incentives to comply with organic standards, the sector might offer a great availability of partners in the processing of organic food. This was also considered one of the most innovative sectors in the Portuguese economy, being awarded several times for its adaptation to international markets (Sisab n.d.), which is a significant factor to consider, according to Porter (1990). If supporting industries are positively seen outside, this might be advantageous for the sector when targeting international markets. Finally, the processing of finished organic products need to be supported by packaging and labelling.

Cosmetics

According to the European Parliament, organic cosmetics refer to the product itself (ingredients used to produce it) and not to the whole cycle, being regulations less specific than for organic food. There is still little information about the organic cosmetic industry in Portugal, it is only known that the perfume and cosmetic industry has a much smaller scale than the agri-food

industry, with only 133 firms and a total production of € 68M (INE 2019). Despite this fact, in 2011, 55% of total sales in this industry was in external markets, showing a greater orientation for exports (Ramalho et al. 2014).

Logistics and Retailers

Regarding Logistics, Portugal performed 3,64 in the Logistic Performance Index on average (ranked in 23rd) with the high-income OECD countries that performed 3,67, which indicates a good performance for Portugal (World Bank 2018b). The rising of organic shops, small and medium size, in the urban centres and the creation of specific areas for healthy and organic food in supermarket chains have opened new possibilities for brands and producers to see their products on the shelves, increasing awareness and visibility on this segment (Truninger 2008).

2.5.5 The Diamond - Conclusion

After analysing the structure of the diamond, one can conclude that the Diamond Framework reveals that Portugal's attributes are not that favourable to FiB's success internationally. Therefore, instead of explaining country-specific advantages, it ends up exposing its weaknesses. This situation unveils one of many critics made in literature, as this model might not be applied to every industry and to most of the world's smaller nations (Bellak and Weiss 1993). However, it was a useful model to understand which attributes FiB needs to find in international markets, mainly revealing market-seeking motives.

The organic market in Portugal is still a niche market, being the main problem the low purchasing power of its population that cannot afford the premium prices of organic products. Furthermore, there is resistance to change, which creates a problem when new products enter the market. In the case of prickly pear and its by-products, the same happens with the aggravating situation of a very recent and still unknown product. In terms of competition, the diamond is clear in identifying that Portugal's most prominent players offer a wide range of

organic products from international brands, while most Portuguese organic brands are still owned by SMEs, with lack of expression in the market. According to Porter (1990), “*strong local rivals is a final, and powerful, stimulus to the creation and persistence of competitive advantage*” so this does not seem to be the case for Portugal.

The diamond also exposes that production factors are not a problem in Portugal, where labour costs are lower than in other European countries. The weather and soil conditions are ideal for producing excellent prickly pear and consequently, high-quality by-products. Supporting industries are also of good quality, mainly the agri-food one, the most important among all industries and recognised outside. With that being said, the group believes that although Portugal conditions are not ideal mainly in terms of demand quality and firm structure, harsh conditions drive the need for companies to look for international markets and innovate in order to grow, making them more competitive. In the end, adversity can bring great things.

2.6 Company Readiness and Reasons for Internationalisation

FiB already exports to three countries – Spain (its strongest market), Germany, and the Netherlands –, without a precise strategy and due to reactive reasons, as its home market presents adverse conditions. At the end of 2018, FiB began its internationalisation process by attending international food fairs to introduce its products and find new partners. The firm realised that the demand for prickly pear in Portugal was extremely low and that their home market could not absorb its production level. Even though the purchasing power of Portuguese consumers has been increasing over the years, it is still low when compared to other European countries. Consumers are increasingly aware of the health benefits of organic products, however, the majority is not willing to pay a price premium for them. Portugal is still one of the European countries with lower organic consumption per capita (Passport 2020b).

FiB's main reason to internationalize is the fragile financial situation of the company. The unfavourable demand condition in their home market leads to the necessity of increasing sales for short- and long-term survival. The firm wants to earn higher margins and profits by being present in high-income countries where consumers have higher purchasing power. Another objective is to seek new opportunities for growth through market diversification. This will enable the firm to gain knowledge about other clients, markets, and competitor's capacity at a global level in the organic industry, a key factor to growing its business.

Internationalisation readiness describes a firm's preparedness and propensity to commence internationalisation (Liesch, Brewer, and Tan, n.d.). Six dimensions should be taken into consideration when evaluating a firm's readiness for internationalisation: the competencies of management, the heritage of the SME within international markets, the relationships the firm maintains abroad, the offerings, the means for carrying out an internationalisation strategy, and the engagement of the SME's in the internationalisation project (Guillaume and David 2014).

In terms of management competencies, FiB has two years of experience in international business, currently exporting to three foreign countries. Besides, the firm regularly takes part in international and national competitions³ and international food fairs⁴, gaining knowledge about the foreign markets and the competitive landscape, while building brand awareness. Due to these reasons, the firm has established some business relationships in the countries where it is already present and on target ones.

Regarding the offerings, the company presents a range of differentiated and unique products, constantly being innovative. In terms of means, FiB shows a fragile financial health since the

³ BGI USA global immersion at Boston 2020, Winner of the prize Intermarché Produção Nacional 2017

⁴ BIOFACH, fruit attraction

beginning of its operations. This is explained by the fact that the company is recent and invests a lot, by raising debt in innovation, expansion, and development of new by-products.

Currently, the firm must grow internationally in order to generate more revenues, cover its costs, and become financially stable. FiB has been steadily expanding its productive operational capacity over the years, from 12 tonnes in 2017 to 70 tonnes in 2020. The company estimates to be able to produce approximately 300 tonnes with the current plantations in the near future. Since the firm's objective is to enter new markets by selling its range of by-products, the production capacity of their partners also needs to be analysed. According to FiB's CEO, its partners can meet their needs without constraints.

Though FiB's financial resources, as other SMEs active abroad, are modest, these SMEs who distinguish themselves tend to leverage intangible resources that are harder to obtain (management vision, know-how, etc.) (Kim and Knight 2008). In fact, the firm is highly engaged and available to dedicate its time and resources to internationalisation. Their management vision, commitment, and perceptions regarding the challenges associated with exports are invaluable assets that positively determine their readiness to internationalise. All in all, one can conclude that the company is not only well equipped to enter new markets but also that it is crucial to stay competitive and financially sustainable.

3. Market Selection

When deciding to expand overseas, enterprises need to take the following strategic decisions: *“the product it wants to market (what), the country market it wants to enter (where), the timing of entry (when) and the entry mode it wants to use (how)”* (Górecka and Szałucka 2013). The following section aims to discuss the “where” through a preliminary screening that involves country ranking and country clustering, then running an extensive market potential analysis,

and finally finishing with conclusive selection, the so-called multi-stage model. These techniques will help to overcome the difficult task of country selection (Bosáková et al. 2013).

3.1 Preliminary Screening

According to Root (1998), the preliminary screening corresponds to the first stage in international business. It aims to increase the possibilities of not ignoring countries that might be excellent markets and “*to eliminate a large number of unattractive countries from the subsequent in-depth analysis*” (Górecka and Szalucka 2013), serving as a mean to save money and time to companies.

The criteria for the first selection of countries included in the market selection was discussed at an initial meeting with FiB. Since the company offers a range of premium products and is focused on a specific market niche, those products will only be suitable for developed and high-income countries. As such, 39 high-income countries were considered according to World Bank data. Nevertheless, some high-income countries were not included in the analysis, given its small market size and the lack of data. The countries in which FiB is already present, Spain, Germany, and the Netherlands, were also included in the analysis since it may enable the identification of relevant clusters with similar countries and since the presence of FiB in these countries is still narrow and with no specific strategy. China was also included since this country can be attractive due to its market size. The company approved this selection, with FiB agreeing that every market considered relevant was included.

The market evaluation and selection were performed by using analytical approaches based on readily available secondary data. The group decided to use two methods to perform the preliminary market assessment: country ranking and cluster analysis. The country ranking orders countries on aggregate market potential, crucial to understand which countries deserve in-depth attention. On the other hand, the cluster analysis is a powerful tool for segmenting

markets according to relevant indicators for FiB's business prospects, being a facilitator to understand the similarities and differences among them. By combining these two approaches, one can have "*unique and highly valuable information that does not overlap*" (Cavusgil, Kiyak, and Yeniyurt 2004) .

For the ranking analysis, 37 variables were selected [Exhibit 6], which were divided into seven dimensions, namely: Political & Legal (6), Social & Cultural (7), Economic (11) Tech & Innovation (2), Infrastructure (1), Environment (1), and Industry-related (9) [Table 2]. By taking indicators from seven different dimensions into consideration, the analysis becomes more holistic and objective. Several variables were used to enhance the usability and reliability of the existing dimensions, preventing the risk of overestimated weights to particular variables that could distort the results.

Regarding industry-specific variables, even though past literature focused the studies on building models that only use general country factors, due to cost and flexibility reasons, more recent authors have defended their use (Douglas et al., 1982; Root, 1998) by applying them in the selection of the right foreign country. Following this idea and the fact that Portugal presents a small market for OPF and a low spending per capita on these products, it was decided to consider industry-specific factors in the analysis. In this context, variables that would allow the group to estimate the market size in the target countries, the customer receptiveness to the products in the foreign market, or the importance of organic for both the country and consumers were considered (Górecka and Szałucka 2013).

Firstly, data validation was proceeded and variables with a significant number of missing values were deleted from the dataset. After that, using SPSS, a missing value analysis was conducted, where no patterns in missing data were found. Only 1% of data was missing and a significance level of 0,412 in the MCAR test was attained [Exhibit 7]. The null hypothesis of this test is that

data is “Missing Completely at Random” and given the previous value, it is not possible to reject it. Overall, one might conclude that missing data does not show any patterns.

Concerning the variables *Hofstede*, *Government Expenditure on Education* and *Organic Processors* that had one to two missing values, an arithmetic average was computed to fill them to overcome this situation. In the variable *Certified Demeter Operators*, where some data was missing, a further search was done for the specific countries with missing values. In this case, whenever there was no reference to Demeter certification in the country online, the latter was considered to have zero operators.

Moreover, to fill Luxembourg’s *Organic Market Size* and *Organic Consumption per Capita*, Statista was used instead of Passport because the values were missing in the latter. One should be aware that the organic market size referred in Statista considered more food categories than the one in Passport, so the underlying variables were overestimated. A limitation found at this stage was the existence of variables with data from different years as the most recent data in each country differed. Finally, *Hofstede Insights* was used to allocate the scores for six cultural dimensions related to each country. This variable was computed as the difference between each country’s scores and Portugal’s scores to better measure cultural distance.

Table 2: Variables and respective weights

Criteria	Units	Source	Year	Used Cluster	% Weights Ranking
Economic					29%
GDP / Capita (PPP)	USD	World Bank	2019	Yes	7.0%
GDP Growth	%	World Bank	2019	No	2.0%
GDP Recovery	%	World Bank	2021	No	2.0%
Inflation, Consumer Prices	%	World Bank	2019	No	1.5%
Imports of Goods & Services	% GDP	World Bank	2019	No	2.5%
Global Competitiveness Index	Index	World Economic Forum	2019	No	2.5%
Government Expenditure on Education	% GDP	World Bank	2016	No	3.0%
Employment in Agriculture	%	World Bank	2019	No	1.0%
Unemployment	%	World Bank	2019	No	2.5%
Current Health Expenditure / Capita (PPP)	USD	World Bank	2017	Yes	3.0%
Foreign Direct Investment, Net Inflows	% GDP	World Bank	2019	No	2.0%

Social & Cultural					18%
Total Population	Abs. value	World Bank	2019	No	3.0%
Urban Population	%	World Bank	2019	No	3.5%
Life Expectancy at Birth	Years	World Bank	2018	No	1.0%
Wage and Salaried Workers, Total	%	World Bank	2019	No	2.0%
Educational Attainment, at Least Bachelor's or Equivalent, Population 25+, Total	%	World Bank	2018	Yes	3.0%
Educational Attainment, at Least Bachelor's or Equivalent, Population 25+, Female	%	World Bank	2018	No	3.5%
Hofstede	Index	Hofstede Insights	2020	No	2.0%
Political & Legal					10%
Control of Corruption	Std. value	World Bank	2019	No	1.0%
Government Effectiveness	Std. value	World Bank	2019	No	1.5%
Global Peace Index	Index	Vision of Humanity	2020	No	1.5%
Ease of Doing Business	Ranking	World Bank	2019	Yes	3.0%
Total Tax and Contribution Rate	% of Profit	World Bank	2019	No	1.0%
International Property Rights Index	Index	Property Rights Alliance	2019	No	2.0%
Tech and Innovation					4.0%
R&D Expenditure	% GDP	World Bank	2018	Yes	2.0%
Patent Applications, Residents	Abs. value	World Bank	2018	No	2.0%
Infrastructure					4.0%
Logistics Performance Index	Index	World Bank	2018	Yes	4.0%
Environmental					3.0%
Renewable Energy Consumption	%	World Bank	2015	Yes	3.0%
Industry Related					32%
Organic Market Size Packaged Food & Beverages	EUR	Passport, Euromonitor	2019	No	6.0%
Organic Consumption / Capita	EUR	Passport, Euromonitor	2019	Yes	6.0%
Market Size Beauty & Personal Care	US Dollars	Statista	2019	No	2.5%
Organic Shares of Total Agriculture Land	%	FiBL	2018	No	3.5%
Organic Producers / Capita	Abs. value	FiBL	2018	No	2.5%
Organic Processors	Abs. value	FiBL	2018	No	2.5%
Certified Demeter Operations- Number of Operators	Abs. value	Demeter International	2020	No	2.5%
Total Imports Soaps+ Essential Oils	US dollars	Atlas	2018	No	2.5%
Total Imports Agricultural Products	US dollars	Atlas	2018	No	4.0%
TOTAL					100%

Source: Weights calculations based on authors' criteria

3.2 Country Ranking Analysis

The country ranking method was used to rank the previously selected countries according to their overall market potential and attractiveness by providing different weights to each dimension and its variables (scale 1 to 100%) [Table 2]. Variables' weights were determined

based on its relative importance and the specific characteristics of FiB's business, keeping it clear that, in literature, "*there is no agreement on how to assign weights to the criteria to reflect their relative importance*" (Russow and Okoroafo 1996; Papadopoulos et al. 2002).

Regarding the **Economic** dimension, a total weight of 29% was attributed as it is a crucial macro dimension when internationalising. The most important variable is *GDP per Capita*, accounting for 7%, once it is a relevant indicator of economic performance and the country's standard of living. For FiB, this is especially relevant once they offer a range of premium products. Analysing the short-term forecast of economic conditions and recovery during the Covid-19 crisis is crucial for business decision-making. As such, the variable *GDP Recovery* for 2021 was included, with a weight of 2%.

Furthermore, since two of the factors that most influence organic consumption are the consumer's education and health concerns, the variables *Government Expenditure on Education* and *Current Health Expenditure per Capita* were analysed, each weighting 3%. Other indicators that provide a fair evaluation of the economic outlook were incorporated, such as *GDP Growth*, *Inflation*, *Imports of Goods & Services*, *Global Competitiveness Index*, *Employment in Agriculture*, *Unemployment* and *FDI Inflow* which received weights between 1% and 2,5%.

The **Social & Cultural** dimension embodies several essential variables, representing 18% of the total weight. After recognising the consumer profile, important variables are *Educational Attainment of Population*, entire and only by female group, ages over 25 that attained or completed bachelor's or equivalent, with a weight of 3% and 3,5%, respectively. The group have identified that consumers with high levels of education are more conscious about the benefits of organic products and recognise the label of organic farming, alongside with the fact that organic products are mostly consumed by women (Marketline 2014).

Additionally, other crucial variables are *Total Population* with 3% and *Urban Population* with 3,5% to understand the potential consumers in each market. The percentage of *Wage and Salaried Workers*, with 2%, helps to identify the prevalence of the target group in each market, since, once again, household income has a positive correlation with organic food purchases (Marketline 2014). According to *Hofstede's* cultural dimensions, cultural differences can have a substantial impact on how firms design and implement their process of internationalisation, receiving a weight of 2%. Finally, *Life Expectancy at Birth* was also considered, obtaining a weight of 1%, since it is commonly used as a country's health status indicator.

Regarding **Political & Legal** variables, since the selection involved high-income countries, one has considered these variables less representative, attributing a weight of 10%. The most important variable was the *Ease of Doing Business*, with a weight of 3% since it captures numerous dimensions of each market's regulatory environment.

The *IP Rights Index* acquired 2%, once strong and efficiently enforced IP allows the consumers to be confident about the safety of their purchases, relying on the authenticity and high-quality of products. Moreover, additional variables that provide an important evaluation of the legal outlook were included, with *Global Peace Index* and *Government Effectiveness* receiving both 1,5% and *Control of Corruption* and *Total Tax and Contribution Rate* receiving 1%.

FiB offers unique and innovative products, being one of its main strengths. Given that, it is imperative to understand the degree of innovation each country has and its investment in technology to grasp the country's receptiveness and valorisation of these attributes. For **Tech & Innovation**, the variables *R&D Expenditure* and *Patent Applications* were collected, each with a weight of 2%.

Regarding **Infrastructure**, *Logistics Performance Index* comprises a weight of 4%, which is a good indicator of a country's competitiveness. Encompassing crucial components for

international trade such as quality of infrastructures and the quality of logistics services, an efficient logistics base is a good hint for FiB success and production growth in each market.

To have a general picture of each country's **environmental** consciousness, *Renewable Energy Consumption* was considered and weighted 3%. As mentioned previously, consumers aware of environmental issues tend to purchase more organic products, as these are perceived as more environmentally friendly than conventional ones (Tandon et al. 2020).

Industry-related variables received the highest weight, 32%, due to its considerable importance. The *Organic Consumption Per Capita* and the *Organic Market Size of Packaged Food & Beverages* are crucial to understand the dimension of the organic food market in each country and received both 6%. Since FiB offers a range of cosmetics products and due to lack of information regarding the organic cosmetic sector, the *Market Size of Beauty & Personal Care* was included to obtain an overall representation of this market in each country, receiving 2,5%. Weighting 3,5%, the *Organic Shares of Total Agriculture Land* was considered relevant, as a high percentage of agricultural land under organic management might represent a great willingness to purchase organic products by the country's population.

Other variables used to measure the size of the country's organic industry, *Organic Producers per capita* and *Organic Processors*, were included, both with 2,5%. The *Certified Demeter Operations*, with 2,5%, was used to evaluate the number of operators in each country using the Demeter production standards and receiving biodynamic certificates. The Demeter certification is an internationally recognised organic label, meaning the higher the number of Demeter operators in a country, the greater the predisposition to the consumption of organic products. Finally, to have a general overview of the countries' imports, *Imports of Agriculture* and *Imports of Soap & Essential Oils* were considered with a weight of 4% and 2,5%, respectively.

To proceed with the country ranking analysis, the 37 variables were standardised. In some indicators, it is positive to have low values such as *Unemployment, Inflation, and Global Peace Index*, and for that reason, they were inverted. Moreover, since the chosen variables were displayed in different units and scales, a standardisation method was applied for comparability reasons. The resulting scores were converted to a 1-100 scale by using the formula, $X'_{ij} = \left[\frac{X_{ij} - \min_i}{R_i} (99) \right] + 1$ ⁵ (Cavusgil, Kiyak, and Yeniyurt 2004).

The final scores of the country ranking [Exhibit 8] propose that the USA is the most attractive country for FiB, with a score of 47,93, followed by Luxembourg with 44,25. Moreover, the Top 10 comprises diverse countries with market potential for FiB, with eight European countries, being four of them from Scandinavia, one American, and one Asian country.

The Top 10 [Table 3] is very robust and the Top 6 would not change even with the weights being equally distributed among the variables. However, this previous analysis considers significant changes in the group’s most important variables and not marginal changes, it is expected that the previous scenario would remain the same. In the case of small changes ($\pm 1\%$) in the weights of some variables (e.g. *Organic Market Size, Organic Consumption per capita, GDP per capita*), the current Top 7 remained the same, which keeps the group confident regarding the robustness of the model.

Table 3: Top 10 Country Ranking

Rank	Country	Score	Rank	Country	Score
1	United States	47,93	6	Switzerland	36,61
2	Luxembourg	44,25	7	France	36,42
3	Denmark	41,15	8	Singapore	35,22
4	Germany	41,02	9	Norway	35,08
5	Sweden	38,60	10	Finland	34,62

Source: Results based on authors’ calculations using variables data

⁵ X'_{ij} : standardized value of country j regarding indicator i | $\min(i)$: minimum value for indicator i
 X_{ij} : value of country j regarding indicator i | X_{ij} : value of country j regarding indicator i

3.3 Country Clustering Analysis

The country clustering analysis places the countries into homogeneous groups with meaningful macro similarities (Cavusgil, Kiyak, and Yeniyurt 2004) and allows firms to standardise marketing strategies over different countries. According to Johansson and Vahlne (1990), this approach “assumes that firms prefer to enter countries from the same cluster in which they have been operating successfully” since they can use knowledge and experience gained in similar markets and “apply this to other markets in the same cluster”.

In order to perform the cluster analysis, firstly, Portugal was added in order to understand in which cluster was the home country inserted in. Secondly, a smaller set of variables was picked, one within each macro-variable, except for the Economic one, that had two. This way, 8 out of 37 variables were chosen, the ones considered the most relevant for the analysis, and therefore, allocated with higher weights in the ranking analysis for each category [Table 4].

The only variable where this is not verifiable is *Educational Attainment* where the group decided to use the variable for the total population instead of the only female, following the rationale of something more general. Also, to ensure data comparability as it was in country ranking, the data used was the standardised one, instead of real data.

Table 4: Variables for Country Clustering

Political & Legal	Economic	Social & Cultural	Technological	Infrastructure	Environment	Industry-Related
Ease of Doing Business	GDP per capita (PPP)	Educational Attainment, at Least Bachelor’s or Equivalent, Population 25+, Total	R&D Expenditure	Logistics Performance Index	Renewable Energy Consumption	Organic Consumption per capita
	Current Health Expenditure per Capita (PPP)					

Source: Selected variables resulted from authors’ understanding

Hierarchical clustering analysis was made using IBM SPSS, as non-hierarchical techniques are proven to be highly sensitive to the choice of initial seeds (Cavusgil, Kiyak, and Yeniyurt 2004). The squared Euclidean distance and Ward’s Method were applied, and several possibilities were tested in order to ensure robustness and obtain the most efficient and logical set of clusters.

The final solution was achieved and through the interpretation of the dendrogram [Exhibit 9], nine clusters were identified [Exhibit 10]. Two clusters were composed by one single country: Uruguay (37th) and Luxembourg (2nd), 3rd and 9th clusters, respectively, which can be explained by their peculiar and different characteristics that make them unable to be grouped with other countries.

Overall, the clusters found were of good quality and consistency, being possible to identify a clear distinction between clusters 1 to 3 and clusters 4 to 9. Clusters 1 and 2 are mainly composed by Eastern European countries, except for Saudi Arabia, China, Chile and Portugal in the first one, with similar characteristics and ranked in the last places. The remaining clusters include more developed and high-income economies: cluster 4 formed by Scandinavian countries and Austria, whilst cluster 8 with Western European countries together with the USA and Japan, characterised by being medium to high purchasing power economies.

Cluster 6 reunites North America and Oceania (Australia and New Zealand) along with average developed economies in Europe. It is in these three former clusters that countries placing higher in the ranking are inserted in and, therefore, might become potential candidates for FiB's international move. On a final note, clusters 5 and 7 are composed by Asian economies, with exception to Ireland, placed in the middle of the countries' ranking.

3.4 Clustering and Ranking Analysis Outcome

The ranking analysis organises countries according to their overall market attractiveness, while the clustering analysis places countries into homogeneous groups with meaningful similarities. Therefore, the use of both approaches helps in setting target market priorities and define the specific strategies to apply once the markets are chosen and combined, in order to select the markets to be studied in-depth in the next section. Furthermore, the company preferences and strategic objectives were taken into consideration in the final decision.

Table 5: Final Cluster and Ranking Results

Cluster 1	Rank	Cluster 4	Rank	Cluster 7	Rank
Chile	31	Finland	10	Israel	24
Romania	39	Sweden	5	South Korea	25
Croatia	34	Austria	13		
Hungary	35	Norway	9	Cluster 8	Rank
Slovenia	29	Denmark	3	Belgium	12
Greece	32			Netherlands	11
Slovakia	38	Cluster 5	Rank	Germany	4
Saudi Arabia	36	Ireland	20	Japan	22
China	26	Singapore	8	Switzerland	6
Portugal	-	UAE	18	USA	1
Cluster 2	Rank	Cluster 6	Rank	Cluster 9	Rank
Latvia	30	Czech Republic	27	Luxembourg	2
Lithuania	28	Spain	21		
Estonia	19	Italy	23		
		Poland	33		
Cluster 3	Rank	Australia	16		
Uruguay	37	UK	14		
		Canada	15		
		France	7		
		New Zealand	17		

Source: Authors' results based on SPSS and Ranking Analysis

Following a careful analysis of the clusters and countries ranking, four markets were selected from three different clusters: Sweden and Denmark (cluster 4); France (cluster 6); and Germany (cluster 8). Clusters 4, 6 and 8 have a significant dimension and in general embrace attractive markets. Consequently, an accurate assessment and proper understanding of those groups may result in a possible faster expansion of countries belonging to the same cluster. The four potential markets are located in Europe and are members of the EU. At this stage, the European market is the main priority to FiB as entry barriers and regulations are significantly lower, and the company already has some knowledge about the market. Furthermore, the company is experiencing financial difficulties, wherefore the investments needed to expand to Europe as well as the risks associated are smaller.

Although the **USA** (1st) and **Luxembourg** (2nd) are placed at the top of the ranking, these markets were not selected for a further analysis. The USA is the most attractive potential

market; however, the short-term market uncertainty and its heterogeneity across states hamper its potential advantages. Given the high legal and entry barriers of this market, especially in the light of the pandemic scenario and aligned with FiB intention to apply the proposed strategy promptly, the USA was disregarded from the in-depth analysis.

Luxembourg, despite presenting virtuous characteristics for FiB premium products, particularly the high purchasing power and significant spending of organics per capita, was not considered an attractive market for FiB given its small market and absolute size. Besides, since it is a market with specific and unique characteristics, it is challenging to reproduce its strategy in other countries.

Denmark (3rd) and **Sweden** (5th) represent the 4th cluster, comprising high-ranked markets, mostly located in the Scandinavian region. FiB showed a particular interest in the Nordic countries given consumers' high purchasing power, enabling the firm to increase its margins, as well as the high consumption of organics. Moreover, these countries are among the highest public spenders on education and health, as well as characterised as being highly environmentally conscious. Since Nordic countries have similar specifications, the firm could easily replicate its strategy within the cluster and expand to other markets with significant potential.

Germany (4th) and **Switzerland** (6th) integrate the 8th cluster that is constituted by six countries well-positioned in the ranking. Besides already operating in this country, **Germany** was chosen since FiB's presence in this market is still relatively narrow. According to the analysis, it is the second country with the highest organic market size, making it an attractive market with enormous potential. It is also a big country with a significant GDP per capita, a good indicator of buying power. **Switzerland** was disregarded as a potential market given its political

landscape, namely not being an EU member state, and given its heterogeneity across cantons, making it difficult to create and implement a single strategy in the whole country.

Finally, assigned to the 6th cluster, **France** (7th) is also considered an attractive market with a significant market size. France was a FiB's special request, since they consider that the market has a lot of potential, mainly because its population already know and consume prickly pear. Furthermore, it is grouped with several markets that despite their middle-ranking positions, may have a great potential, such as Spain, where they are already present, and the UK.

4. In-depth Analysis

This next step is fundamental in international market selection as it will provide detailed industry-specific information to the group, essential to investigate each market. Hence, a comprehensive analysis was pursued based on four pillars: a network of contacts, competitive outlook, market sales forecasting as well as entry conditions. Alongside, a PESTEL analysis was performed in order to get a better country's perspective by assessing diverse macro-environmental factors. Due to administrative reasons, the in-depth analysis of Denmark, Germany and Sweden, further potential markets for FiB internationalisation, will be developed in separate documents.

5. Market Selection Key Findings

After an in-depth analysis of the four chosen countries – Denmark, Germany, Sweden, and France – one can trace comparisons among them and decide which country is the most appropriate one to expand. The assessment of the target country was performed based on a weighted average of five different market dimensions, specifically PESTEL, contacts, competition, market sales forecasting, and market entry conditions of each country. Based on their importance, the group has attributed a different weight to each different dimension, ranking the countries in each of these variables from 1-5, being 5 the most appealing scenario.

As market potential and corresponding sales forecasting are crucial for FiB since its main reason to internationalise is seeking of more significant markets, the greatest weight of 30% was assigned to this factor. Competitor analysis also earned a substantial weight, 25%, since it is imperative to understand the degree of competition as well as to know which players FiB will be facing in the target country to design the best strategy of how it can stand out. The contacts of distributors and sales agents will also be crucial to accelerate the internationalisation process of FiB, receiving a weight of 20%. Finally, as already mentioned, since all the countries are members of the EU, the macro-environment and market entry conditions are in a way similar, and thus the lowest weights, 15% and 10%, respectively, were attributed to them.

Table 6: Market Selection Criteria and respective weights

Dimensions	Denmark	Sweden	Germany	France	Weights (%)
Country Overview (Pestel)	5	5	4	3,5	15%
Contacts	3	3	4	5	20%
Competitor Analysis	3	2,5	3,5	4	25%
Market Sales Forecasting	4	3,5	3,5	5	30%
Market Entry Conditions & Barriers	4	4	4,5	4,5	10%
Total	3,7	3,425	3,775	4,475	100%

Source: Author’s interpretation based on countries’ in-depth analysis

For the general country overview, it is clear that both Denmark and Sweden, two Scandinavian countries, present the best scenarios in the **PESTEL** framework. Both scored a 5 due to very favourable political and economic landscapes, offering excellent legal frameworks for business and governments. Furthermore, a high-educated society, the large health expenditures and the rising environmental policies characterise these markets. France was the most damaged, due to the last years' incidents related to terrorism and social disorder.

In terms of **contacts**, France placed 1st due to the potential and availability of organic wholesalers and distributors of Portuguese products in the country and its very well-known international fairs for organic products. The second rationale was also applied to Germany, along with the fact that FiB is already familiarised with this market and has some contacts there,

and for these differentiated reasons a score of 4 was given. Sweden and Denmark got the lowest scores because their contacts are more centred on the other Scandinavian countries.

Concerning **competition** in the OPF, Sweden and Denmark got the lowest scores. In both markets, the biggest four companies are Scandinavian and hold more than 50% of the market (Passport 2020d), both with clear leaders. In the case of Sweden, the market is already very saturated, and organic products have been losing their importance to healthy and vegetarian products, increasing this way competition rivalry. In Denmark, local products are preferred, and the Danish state-owned organic label is extremely valued and respected by consumers, while the EU organic label can be viewed as mainstream, which can be strong barriers for FiB.

On the same level, Germany is also a very mature market, with a high degree of penetration, dominated by private labels, mainly from discount retailers. It got a relatively higher score than the other two because the market lacks a clear leader, being the market more fragmented (a four-firm C ratio⁶ of 27%) (Passport 2020c). Finally, France was considered the country with the most favourable competitive landscape. It is a very fragmented market (a four-firm C ratio of 18,4%), and this might be an opportunity for FiB to disrupt the market with differentiated offerings without fearing retaliation actions (Porter 1980). In the end, it did not get more than a 4 due to the existence of strong competitors on the cosmetics side and the potential competition on prickly pear by-products, mainly from Tunisia, Morocco, and Italy.

In terms of forecasted sales, France is once again the country better positioned. Even though Germany has the biggest market size (58,3M people) and currently the highest market value (€ 3,5B) in OPF, this is not expected to last much more time as the market is reaching a steady market growth of 1%. Therefore, it is forecasted that in 2023, France will surpass the German market value for OPF. France is also the market with the highest growth rates both in terms of

⁶The four-firm concentration (C) ratio measures the market shares of the top four companies in a specific market.

organic consumption per capita and market value. For the two Scandinavian countries, similar market growths are expected until 2025, with similar forecasted market values, around € 900M. Denmark got a higher score than Sweden and Germany as it is the country with the highest organic consumption per capita (€ 162 in 2019 and expected to be € 182 in 2025).

Regarding the **market entry conditions** and **legal/cultural barriers**, since the four countries belong to the EU, the legal barriers faced by FiB to enter such markets are relatively low. Not only that, under EU standards, the trade of organic food products and cosmetics is facilitated. With similar legal entry barriers, France and Germany scored above given the geographical proximity of these countries with Portugal and the smaller cultural distance between the home country and France, mainly. In this subject, Sweden and Denmark are much more distant, which in a way could hinder the contact between Portugal and these countries, retarding the entry of FiB there.

All in all, out of the four countries selected for the in-depth analysis, **France** was considered the most attractive one, outperforming the remaining in the majority of the considered dimensions. This confirms the importance of deeply analysing markets after performing the country ranking, where France held the 7th position.

6. International Entry Modes

6.1 Background Literature

International expansion settles itself as a form of diversification as companies chose to operate in a different market (Carpenter and Sanders 2014a). There are several entry modes, each of them with different levels of commitment, flexibility, risk, and control. Given the complexity of such decision, it is imperative that FiB considers a series of aspects: internal (i.e. company size and resources, management locus of control, level of international experience), and

external (i.e. foreign country business environment, the level of cultural distance between the home and host country, market growth rate, among others) (Koch 2001).

The entry mode that requires less engagement, commitment, and international market knowledge is **Exporting**, either directly or indirectly. It is specifically suitable for SMEs as those tend to have a more limited resource and knowledge base, and it is a way for the firm to increment its size and, most importantly, to reach higher levels of productivity (Vendrell-Herrero et al. 2017). A firm can get some market knowledge, as learning-by-export effect allows it to access and absorb it through its interactions with foreign agents, customers, intermediaries, especially through direct exporting.

On another note, firms can also decide to enter a new market through strategic alliances, defined as being a “*collaborative agreement between two or more organisations to achieve their strategic objectives while remaining as independent entities*” (Carpenter and Sanders 2014a). Some benefits of a strategic alliance are risk mitigation as it is spread and shared with entities involved, as well as deeper access to knowledge, resources, and capabilities which otherwise firms may lack, and the creation of mutual competitive advantage for both (Carpenter and Sanders 2014a). There are several types of strategic alliances: **Licensing** is an agreement where one firm (licensor) sells the right to use intellectual property or produce licensor’s products in exchange for royalties. **Franchising** is another type of agreement where the franchisor allows the franchisee to employ its business model or brand for a fee, in order to manage the business as an independent branch of the parent company.

Joint Ventures occur when two companies make equity investments in the creation of a third, which exists as an independent legal entity. Nevertheless, an alliance may not involve equity interest or independent parties, as in the case of **Non-Equity Strategic Alliances**: typically one company is in charge to supply, produce or distribute another’s goods or services over some

time, without significant ownership investments (Carpenter and Sanders 2014a). Finally, a **Consortia** might also be an option involving several companies and sometimes even Governments, generally at the industry level. On a final note, companies may decide to move to a new market through a more integrated and complex approach - Direct Investment (FDI). A very common one is **Mergers and Acquisitions**. While Mergers happen whenever two firms, with relatively equal size and influence agree to join and form a single new one, Acquisitions occur when a firm takes over another and establishes itself as the new owner (Gomes 2020).

Table 7: Advantages and Disadvantages of each entry mode

Entry Modes	Advantages	Disadvantages
Direct Exporting	Higher profits. Full control over operations. Higher flexibility to improve or redirect marketing efforts. Can obtain in-depth information about trade in the target market and customers. Strong commitment signal to the market.	More time consuming and costly. Lack of exporting skills and experience can lead to expensive errors. Direct exporting requires dedicated personnel and more remarkable managerial ability. High degree of risks.
Indirect Exporting	It demands minimal involvement in the export process (e.g. logistics, transportations, etc.). Can be considered an almost risk-free way to enter a market. Cheap entry mode.	Low control over operations, international market entry strategy, and foreign sales. Restrict contact with foreign markets and customers. Lower profits. Harder to redirect efforts related to long-term strategy if needed.
Licensing and Franchising	Fast and easy entry into foreign markets. Low investment and limited financial and legal risks.	Low control of quality and operations. Creates an opportunity for IP theft. Produces only moderate financial returns.
Consortium	Risks and costs can be shared among partners. Partners can share skills, experiences, and competencies.	Difficulty in managing relationships. Requires time to develop. The reputation of one partner can be jeopardised if the other(s) fail(s).
Joint Venture	Faster learning of partners' skills and share of resources. Synergies: strengths of both partners are pooled.	Inability to limit a partner's access to information. High switching costs.
Non-equity Strategic Alliance	Learning new management and partnering skills. Sharing risk and defending against competitors. Relatively low resource commitment.	Partners may fail to commit resources and capabilities to the other partners. Divergence of objectives as time goes by. Differences in relative control.
Mergers and Acquisitions	By acquiring an established enterprise, a firm can rapidly build its presence in the target foreign market. Revenue synergies, diversification, and acquisition of market power.	High financing costs. Differences in corporate culture can jeopardise the success of M&A. Legal risks- failure to comply with the law can lead to legal actions by governing bodies.

Source: Authors' analysis based on Vendrell-Herrero et al. 2017; Gomes 2020; Carpenter and Sanders 2014a

6.2 Analysis and Suggestion of the Entry Mode for FiB

According to Johanson & Vahlne (1977), the decision on what entry mode to choose is due to companies' current state and past experiences, access to resources, and structure of the target market. FiB is a small company that has as a competitive advantage the differentiation in its organic product range, with some international experience in Europe. Currently, the firm desires an entry mode with low financial commitment, high control over its brand that needs to provide market knowledge acquisition, crucial to succeed since it offers premium products.

The vulnerable financial position does not allow FiB to follow an internationalisation strategy with an entry mode that requires a high level of financial resources commitment, as Foreign Direct Entry Modes (e.g., M&A, Joint Venture). As such, it is interesting for FiB to look over a variable cost structure. Furthermore, FiB aims to maintain the production process and to control all the operations in Portugal. Following an exporting method is sustained by the very few legal and tariff barriers to enter the French market. Additionally, exportation is the faster and the lower risk way to enter a foreign market.

The group suggests FiB enters the French market through a **direct exporting method**, supported with a **contract-based relationship** between FiB and the partner(s) responsible to place its products in the market. For this, it becomes crucial for FiB to implement a management control system through the evaluation of KPIs for the partner(s), using them to mark lack of performance whenever those are not met, and even leave the contract in worst cases. FiB should then consider KPIs related to maximum price charged to the final consumer and promotions, the payment collection, knowledge of the French market (if they are able to identify changes in customer needs), inventory control and order fulfilment rate, partner's cash position and outstanding obligations and last but not least, its marketing effectiveness.

Control is the firms' ability to influence the various management systems the organisation has which enables the ability to improve the competitive position and maximise returns on the firm's assets. Direct exporting allows for partly or fully control over all aspects of the transition, namely how the product is positioned and sold. Another advantage is the concentration of marketing efforts on the manufacturer's product line (Delaney 2019).

FiB is interested in long-term growth in an international market, and, as such, direct exporting can be a suitable entry strategy because it enables the organisation to gain knowledge of the French market and its consumers, as well as develop distribution channels. In the indirect exporting mode, as the products are in other hands, it is harder to redirect efforts according to the long-term outlook changes. Direct exporting allows for quicker feedback from the target market that can be incorporated in the strategy faster. Another key advantage, significant for FiB, is the fact that profits generated are potentially higher (Roy 2017).

Direct exporting could be difficult and risky if the target market has different regulations, legal systems, culture, and the organisation is completely inexperienced in international trade. However, since France is readily accessible and has similar regulations and customs to Portugal, having no trade restrictions, and FiB already exports for three European countries, this entry mode can be very successful, encompassing the desired mode characteristics from the firm and key benefits for its current state. Furthermore, exporting can be a part of the continuum of increased commitment to internationalisation (Bradley 2005).

On a final note, the direct exporting with contract should be complemented with **e-commerce** on French websites, an entry strategy that provides high flexibility, in which there are no geographical limitations and costs are significantly lower.

7. Business Model

7.1 Business Model for Internationalisation

According to Grassmann, Frankenberger, and Csik (2014), “*a company’s long-term competitive success depends upon its ability to create an innovative business model*”. FiB must create, upon product and process innovations, a set of capabilities able to drive extra potential in its business model, to generate added value and differentiate itself from its competitors in the new market. To do so, there are four main pillars to take into consideration: customers, economic value, value chain and profit mechanism.

In this section, the identification of FiB customer segments and its offerings to those will be addressed, together with an analysis on FiB’s set of resources and capabilities, enable to provide such offerings through the value chain. Finally, FiB cost structure and revenue stream will be evaluated in order to verify if the business model is financially viable and allows a successful internationalisation and market expansion to France.

The company aims to **target** French consumers interested in organic and sustainable products while concerned with their health and environmental problems. Additionally, since FiB portfolio is composed of premium and gourmet products, target consumers must value high-quality products and have high disposable incomes and WTP. Moreover, introduce the products in French gourmet restaurants and hotels is also an attractive option to FiB.

With its portfolio of prickly pear by-products, mostly food options, FiB will follow a **differentiation strategy**, as the group believes its offerings are differentiated in the French market. For that reason, the customer will be willing to pay a premium price for the quality and innovativeness of the products. Moreover, as this positioning strategy will be for particular market segments, one can recall this as a focused differentiation one. These generic strategies developed by Michael Porter in 1980 help companies to reduce the effects of industry rivalry

and consequently increase profitability, and in this context will also be the guider on how FiB products must be perceived by its target customers (Carpenter and Sanders 2014a).

To be able to follow a focused differentiation strategy in the French market, FiB needs to hold a key set of resources and capabilities, as well as a key set of activities that support this positioning. In what concerns its **core activity**, FiB is responsible for the production of prickly pear and olives, guaranteeing the quality of the raw materials. Then, to transform the seeds and pulp from the fruit into finished products, FiB partners with **specialised service providers**. This way, FiB can focus on the farming activities, one important step of the value chain, possibly *“exploiting economies of scale and gaining superior expertise”* (Grassmann, Frankenberger, and Csik 2014), and outsource the processing, packaging, and labelling activities from a specialised provider that has all the experience and know-how to do it. In between, while it adapts its capacity to the French market, there is the possibility to purchase extra raw material from smaller producers in the Alentejo region, ensuring that in the upcoming years, while production capacity does not increase, FiB can fulfil big orders from France.

Distribution does not constitute a big issue for FiB as the company has relatively easy access to transport its by-products to France at a reasonably low cost, joining the goods between other producers and, therefore, sharing the cost of transportation. On another note, FiB’s key goal when exporting to France is to obtain the best **distributors**, meaning, those with good size but realist to reach in the first move to this new market. The company should convince them to sell its by-products by showing the added value FiB would bring to their activities (physical and online presences) and portfolios, whilst revealing major benefits of such partnership. In addition, following a differentiation strategy, FiB needs to consider the selection of organic partners to run its operations in France and better drive its positioning in this market. Besides, those must share and fit its mission and values, built around sustainability, quality, and health.

Marketing is a key activity responsible for leveraging company resources and delivering value. When entering in a new market, the communication with potential buyers, the wholesalers and retailers, and the brand and products' promotion to final customers are fundamental to establish contacts and create brand awareness, which is vital to the long-term success of the company. This activity will be mainly kept in-house, although there might be the need to supply some functions from a marketing agency either in an early stage of expansion or as the business grows in France.

Concerning **people**, a key resource of the company, the CEO and new employees would play a meaningful role in the expansion process. FiB CEO's management, sales and communication skills, as well as her motivation and proactivity, are critical in keeping the company alert to further market opportunities and contact potential buyers. Additionally, her creativity and innovative ideas are being imperative to the company's growth through the launch of the vast portfolio of by-products and the creation of tourism activities. Furthermore, FiB must hire new employees to fully exploit the potential of the new market. In 2021, the group recommends the integration of a French speaker intern in the firm. This person would be responsible for monitoring the exportation process, tracking the market opportunities, consumer's needs, and competitors moves, and supporting the marketing campaigns. It is important to refer that given the characteristics of the company's business model, its employee structure will be smaller even with the expansion if compared with manufacturing companies.

Finally, there are **other key resources** crucial for FiB to deliver the promised value, as the 20ha of organic prickly pear orchards and the 33ha of organic olive groves it owns, the knowledge acquired on organic farming and zero waste procedures, and the packaging and labelling developed that refer to a premium and quality product. On a different note, and not directly related to the French market, the re-qualified train station that connects the two orchards of

prickly pear constitutes an important asset as it allows FiB to provide, through a partner, tourism activities.

To conclude, FiB has joined several **partners**, including manufacturers and Portuguese universities, that help the company to innovate, come up with new products, respond to the challenges of sustainability, and generate new business models, being this highly important for the company to offer differentiated products.

FiB's **cost structure** is driven not only by the direct and indirect costs of FiB key resources but also by the economies of scale that may come with an increase in the production. The costs involved are the cultivation and production costs of prickly pear as well as the fees paid to FiB partner since the transformation process of by-products is outsourced. By-products' additional expenses include the organic certification and its distribution to the French market. Furthermore, the expansion to the new market will require the implementation of a marketing communication strategy, which will require incremental costs and investments. Regarding human resources, as operations scale up, more personnel costs will be incurred.

The company developed several prickly pear by-products, diversifying its portfolio and offerings in the food and cosmetic categories, which enable its presence in the market and the generation of revenues all year long. FiB has several partnerships, driving constant innovation and the creation of new products each year. The French expansion will generate **revenues** by the export of FiB's premium range of by-products, as the firm will sell in quantity to new profitable customer segments. During holiday seasons, FiB will have a special campaign offering packs with its products. As products are organic, produced sustainably, and with fair trade, they can be positioned as premium, which allows the firm to practice higher prices.

As previously mentioned, another revenue-generating mechanism adopted by the firm was the creation of sustainable and innovative tourism activities and experiences (e.g. workshops,

events, etc.), that further monetise its assets and diversifies risk. This revenue stream is expected to be increasingly relevant when the economy starts to recover from the Covid-19 crisis, which will protect the company if something goes wrong with the expansion. All in all, one can conclude that the presented business model offers favourable characteristics to support a successful entrance into the French Market while, at the same time, incorporates diversifiable revenue-generating mechanisms [[Exhibit 11](#)].

7.2 Key Performance Indicators (KPIs)

Since FiB aims to expand to a new market where unforeseen challenges might emerge, it becomes vital to measure the effectiveness and efficiency of its business model. The evaluation of KPIs metrics is crucial since they “*provide an objective criterion for measuring business activities and project success*” (Villazón et al. 2020). It is then important to look over four different dimensions: marketing, sales, finance and competitors’ scope.

Marketing is an important channel to reach target customers effectively. Entering a new market requires a substantial effort on this and goes beyond understanding if campaigns are working as expected and, if not, which adjustments are required. Regarding sales and financial areas, these are the ones able to provide information on how profitable operations are in the French market, crucial for decision-making on which partners, products or geographical areas to maintain. Ultimately, one of the critical aspects of FiB’s success will rely on its competitors’ performance, being then essential to track its moves. In [Exhibit 12](#), a full list and description of KPIs can be seen.

8. Marketing Plan

Designing a marketing strategy is crucial to “*help to identify opportunities and take advantage of them*” (Rugman and Collinson 2006) and even more critical when a company approaches an unfamiliar foreign market. In the context of this report, it makes sense to refer to international

marketing as the firm will be subject to a different macroenvironmental landscape and constraints that will affect the product, promotion, price, and place strategies. With this said, an international marketing plan will be built, approaching the following topics: a review of the situation analysis, the marketing objectives, the marketing strategy, and the marketing mix.

In the first phase of the expansion, the group considered that the cosmetic line would not be introduced in the French market, as competition in this industry is fierce. Besides, an expansion containing a very diverse portfolio would imply not only increased costs regarding the labelling and distribution of the products but would also increase the complexity of efficiently creating a strategic positioning of the brand towards French consumers. Given this, in the first five years FiB should only introduce its portfolio of food by-products in France, as competitive landscape is attractive and there is a lack of prickly pear by-products' offerings.

8.1 Situation Analysis

8.1.1 Company Fit

The French market represents an excellent opportunity for FiB's products portfolio. France is the fourth European country with the highest consumption of olive oil, and the third-largest importer, reaching € 427M in the last year, accounting for 6% of total EU olive oil imports (CBI 2020). The retail share of organic olive oil sales in France is more than 10% and is expected to rise in the forthcoming years. Vinegar is also one of the principal condiments used in French cuisine. The French market offers a large variety of flavours, as well as other toppings made with vinegar, extremely popular and appreciated by the French households (Sami, n.d.).

Regarding jams and jellies, France is the largest consumer representing more than 30% of the European market, being among the countries with the most remarkable expected growth in the future. France is also among the biggest importers and exporters of these products (CBI 2018).

Furthermore, there is a positive trend in the consumption of superfoods and tropical fruits while increasing demand for organic labelled and authentic products is verified.

Considering honey, France is in the top three of the major European consumers, while among the leading importers of natural honey (CBI 2016a). Honey consumption is forecasted to remain high within Western European markets, with a massive opportunity for organic and Fairtrade certified products (CBI 2016b). On a final and different note, one should mention that due to France proximity with Italy and North Africa countries, it is one of the biggest importers of prickly pear, proving that French consumers know this fruit (Agroligne 2008).

8.1.2 Consumer Analysis – Consumer Decision Journey

The ultimate objective is to reach customers at the moments that most influence their decisions, creating value for the customer and capturing a part of this value for FiB. According to McKinsey (2009), the decision-making process is a circular journey with four main phases: initial consideration, active evaluation, the purchase, and post-purchase (2009). As such, the situation analysis will start with the customer insights, using the Customer Decision Journey (CDJ) model for organic food products.

Table 8: Consumer Decision Journey

Trigger	The consumers are aware they have the need or want an organic food product. The intention to purchase organic food products can derive from concerns related to health, nutrition, food safety, environment and sustainability, and product quality.
Consider	The consumer will consider an initial set of potential brands, based on brand perceptions and exposure to recent touchpoints. The touchpoints may include advertisements and product experiences from organic brands, conversations with friends and family, social media interaction or influencer marketing related to organic food products/brands.
Evaluate	Consumers will add or subtract brands as they evaluate what they want, gathering information. During the active evaluation, consumers increasingly rely on consumer-driven marketing activities, namely online research and reviews, as well as word of mouth.
Purchase	Ultimately, the consumer selects a brand that provides the best solution to his/her need and purchases the organic product, becoming a customer.
Experience	The experience of using the product, positive or negative, will shape and influence the opinion of customers for every subsequent decision in the category. The customer will assess the quality-price relationship, the taste and if the product met the expectations.
Advocate/ Bond	The customer will talk with other people or will rate the product/brand on social media or search engine reviews, influencing other consumers in their “consider/evaluate” stage. If the experience is positive, the customer will enter the loyalty loop by continuing to buy the brand’s products.

Source: Authors’ analysis based on McKinsey & Company Framework

8.1.3 Competitive Landscape

Although this topic was covered in the in-depth analysis of France, the group decided to extend the analysis to include more four brands competing in the OPF market, by reporting its positioning, product offerings and features, and, finally, its strengths and weaknesses [[Exhibit 13](#)]. *Lune de Miel*, *Rigoni de Asiago*, *Emile Noel*, and *Quintessens* were the chosen brands, mostly because their range of product offerings is within specific categories, such as honey, jam, olive oil and vinegar.

These brands are also placed in specialist stores, allowing the comparison between their price ranges and the ones of FiB. FiB's prices are roughly aligned with some of these brands' prices, always taking into consideration different packaging sizes, different VATs and different flavours that have a significant influence on the final prices per Kilo or Litre [[Exhibit 14](#)]. Lastly, it is essential to note the existence of other private labels either from conventional retail chains (e.g. *Leclerc*, *Auchan*) or organic retail chains (e.g. *Biocoop*, *Naturalia*), that have increasingly growing relevance in the market.

8.2 Marketing Objectives

The marketing objectives should support the strategy of FiB – moving towards a new market. They encompass what the firm aims to achieve in line with its marketing strategy (McDonald 2016). By entering a new market, in this case the French one, which has a high potential for FiB's organic product range, the firm intends to expand revenues and reduce concentration risk. Marketing objectives are to increase profits and sales, acquire new customers, establish and grow brand awareness, recognition and differentiation, as well as strengthen customer relationships through brand engagement and a higher rate of interaction with customers.

8.3 Marketing Strategy

8.3.1 Segmentation

Market segmentation is the first and significant step in target marketing. It can be defined as the division of the large and heterogeneous market into smaller groups of customers which can be reached more efficiently with products that match their unique needs (Kotler et al. 2005).

Table 9: Segmentation Criteria for OPF Market [Exhibit 35, Exhibit 16 and Exhibit 17]

Criteria/Segment	Vegetarian Youths	Healthy & Green Families	Organic Enthusiasts	Oldies
Age	18-34 years old	35-49 years old	50-64 years old	+65 years old
Frequency of Consumption	Very Regular	Regular	Regular	Occasional
Household Income	€€	€€€	€€	€€€
Education Level	High	High	Medium	Medium
Location	Urban Areas	Urban Areas	Urban Areas	Small Urban Areas
Trust in Organic Products (%)	97%	89%	96%	87%
Share of the Food Budget allocated to OPF	20-50%	15-30%	10-25%	0-10%
Organic WTP compared to Conventional	6-15%	6-20%	6-15%	1-10%
Consumers of Organic Cosmetics (%)	68%	57%	59%	44%
Consumers in Organic Specialised Stores (%)	27%	30%	34%	31%

Source: Authors' analysis based on data retrieved from *Agence Bio* (2018, 2019)

[All information used in the Segmentation and Targeting sections was retrieved from (*Agence Bio* 2018) and (*Agence Bio* 2019a).]

The *Vegetarian Youth* group is composed by young healthy and green consumers, aged between 18-34 years old, that aim to support the development of organic farming and responsible consumption, being the segment that most values animal welfare as well as social and ethical concerns. This segment is the one that consumes OPF more frequently, with a considerable part of it consuming more than once in a week, with the two main selection criteria being the local production of products and how innovative they are. Finally, this is the demographic segment that most purchases through e-commerce channels.

The *Healthy & Green Families* group is composed by parents, aged between 35-49 years old, concerned with their children's well-being and health. This segment buys regularly, being excessively concerned with the quality and the presence of AB logo in the products. This segment purchases mostly on big retailers and supermarkets, given the wide range of products with a wider variety of prices, since one of the main criteria to buy organic products for this segment is the quality-price relationship.

The *Organic Enthusiasts* group is mainly represented by people aged between 50-64 years old that live only with his/her partner and value the development of organic farming. This segment's organic consumption behaviour was affected by a family event and is mainly driven by their health concerns and the higher quality and taste of organic food. The taste is also their principal selection criteria, and big retailers are their main purchasing channel. Moreover, this is the segment that most purchases OPF products in supermarkets and specialised organic stores. Lastly, the segment has an extreme knowledge on the subject and consumes organic products at least once a week, desiring to increase their consumption in the future.

The *Oldies* group is composed by older people, aged above 65 years old, with mixed consumption patterns. This segment highlights the importance of developing organic farming; nevertheless, they have the lowest confidence in organic products due to the lack of knowledge on the subject. The segment buys from time to time, generally from big retailers, and their organic purchase decisions are mainly driven by their health and environmental concerns. Furthermore, this segment values the taste and the origin of the products, favouring local and French goods. Finally, this segment is essentially constituted by recent organic consumers that wish to maintain their consumption behaviour.

In what regards **non-organic consumers** of packaged food, as the group decision is to focus its studies on the characteristics and consumption patterns of the actual consumers of OPF, they

were excluded from the segmentation. Moreover, it would be tough to segment those based on the currently chosen variables since it is the most heterogeneous group: the ones who only consume fresh organic products, the ones with considerable low income, the ones who do not value sustainable products, among others. Nonetheless, they represent between 35% to 40% of the French population and, in the future, they might integrate any of the segments the group found or even a new one.

Besides these segments, the group considers that **hospitality** segments may offer great opportunities to FiB in the French market. The strategy would rely on presenting and introducing FiB products to chefs since the vinegar is typically part of the French cuisine and used in numerous recipes by French chefs. The consumption of jam and honey is also very relevant in the country and a possible strategy to introduce these products would be in hotels' breakfast. This approach becomes critical, considering the nature of the products combined with the increased offer of quality food by top-quality hotels. By being present in restaurants and hotels, the company would also gain more brand awareness among French customers.

However, given the current pandemic scenario, the hospitality industry was one of the most damaged: as restaurants are limiting their operations and the restrictions to travelling are high, the expansion plan for these segments might not be ideal in the current condition of the industry. Given this, the group will not deeply analyse these segments.

8.3.2 Targeting

After market segmentation, an evaluation of the attractiveness of each market segment will be performed to select the segment(s) to pursue. The targeting purpose is to identify and select the most profitable segments to the firm, this is, the groups with significant size, potential growth and that fit with the company, whilst the intensity of competition is low (Gupta 2014).

The *Vegetarian Youth* segment is the smallest segment under analysis with 5,7M consumers. Considering profitability, this is the segment with the most frequent consumption of organics, while holding the highest portion of the budget allocated to OPF and a significant WTP. However, the disposable income of this group, as well as its size, is relatively small when compared to others, making this segment less attractive. In terms of company fit, this segment is severely committed to buying organic, not only food products but also cosmetics. Despite offering high-quality products which are valued by this group, FiB premium products are priced above the average, being considerably expensive for them. Moreover, the range of the products offered by FiB is not part of the main shopping basket of this segment, whose preferences are organic fruits and vegetables.

The *Healthy & Green Families* is the largest segment under analysis, corresponding to 14,4M of French individuals. Despite the Covid-19 outbreak, it is expected a positive trend in the OPF consumption for this segment as families started to cook more during the lockdown. Accordingly, given segment size, growth rate and significant characteristics – the highest WTP, the high portion of food budget allocated to organic food and the regular consumption – this is considered the most profitable segment to FiB. Evaluating company fit and as explained previously, FiB offers a range of products with high potential among the consumers of this segment. Lastly, this group attaches great importance to the taste, quality, and innovativeness of products, while having a higher disposable income and WTP for FiB's premium products. Due to the reasons above stated, this segment is defined as one of the most attractive to FiB.

The *Organic Enthusiasts* group is the second largest segment with 13,5M consumers. Though Covid-19 outbreak hindered potential growth assessment, this segment is mainly composed by working population, who are employed and may have suffered a decrease on their household income, or some might be unemployed. This situation induces to a slightly negative growth rate at least until next year. On another note, some of them saw its consumption on organic food

going up, as time spent at home and health concerns increased. This segment is still one of the most profitable segments, with high purchasing power and around 34% of them shopping once per month in organic stores. Assessing company fit, it is among the segments that thrills the most with innovation and whose consumption of honey and jam is the largest. Its organic basket also includes dairy and bread products that significantly match with the ones FiB offers.

The *Oldies* group is a small segment, corresponding only to 10M French individuals. Although this segment has the highest household income and the least affected by the pandemic as most people are retired, it presents the lowest share allocated to OPF products and organic WTP compared to conventional food products, as well as the smallest levels of trust. Jams and natural honey are more prevalent among older age groups but, due to the reasons abovementioned, the segment is, therefore, the least profitable and is considered unattractive for FiB.

In terms of **competition**, if FiB were placed in big retail chains, the channel where all segments mostly buy from, it would face the leader of the market, *Carrefour Bio* and other important private labels, as well as *Jardin Bio*, a strong manufacturer brand with very affordable prices. Here, the competition seems to be harsh and with a different positioning from FiB's. Concerning specialist stores, although only around 30% of consumers of each segment purchase in this channel, prices are higher and brands more premium hence, more adjusted to FiB reality. Moreover, if targeting segments who purchase more from this channel, the *Healthy & Green Families*, the *Organic Enthusiasts*, and the *Oldies*, it is also expected a lower price sensitivity when comparing to the ones that have in the same area conventional and organic brands (Boizot-Szantai, Hamza, and Soler 2017).

Concluding, after the evaluation of segments' profitability and growth, FiB's fit and competition, the target segments selected are the *Healthy & Green Families* and the *Organic Enthusiasts*.

8.3.3 Brand Positioning

Brand positioning is a crucial step to introduce a product in a new market as, through it, “a company tries to build a sustainable competitive advantage on product attributes - tangible and intangible - in the mind of the consumer” (Gwin and Gwin 2003). Therefore, the positioning statement will be designed based on the target market, the frame of reference, unique value claim (points of difference), and reasons to believe (Avery 2020).

Table 10: FiB's Brand Positioning

<p>Points of Parity: All competitors focus their approach on protecting nature with very sustainable practices that go beyond the organic, being among the core values of all brands (Fairtrade, recyclable packaging).</p>
<p>Points of Difference: It is the youngest brand among all, thus offering a smaller range of products. Nonetheless, it is the only one with prickly pear offers, a superfood with antiviral and anti-inflammatory properties. Its packaging and innovative products refer to a more gourmet experience. It does not have the AB logo.</p>
<p>Reasons to Believe: Certified with the Organic Logo, the Kiwa Sativa CareBio (for organic and natural cosmetics) and the Global G.A.P.⁷. Awarded seven times by important Portuguese institutions for its innovative products.</p>
<p>Suitability: For families and middle-aged people concerned with their health that love innovative, quality, and tasty products.</p>
<p>Positioning: A brand that offers organic and premium breakfast and condiment options based on the prickly-pear fruit, a superfood.</p>

Source: Author's interpretation based on the French competitive landscape

Positioning Statement: For families and middle-aged people concerned with their health but that love innovative, quality, and tasty products [**Target Market**], FiB offers organic and premium breakfast (honey and jam) and condiment (olive oil and vinegar) options [**Frame of Reference**], being the only brand with such a diverse portfolio of organic food made of prickly pear, a very sustainable and tasty fruit with antiviral and anti-inflammatory properties, [**Unique Value Claim**] which has been awarded seven times by important Portuguese institutions for its innovativeness and 100% organic farming procedures [**Reasons to Believe**].

⁷ Global reference for the certification of good practices in waste management, quality, security and employee's well-being.

8.3.4 Marketing Mix

Product

The wide range of products offered by FiB can be divided into three main products: core, actual and augmented product. The **core product** corresponds to the utility a firm's products provide to consumers. In FiB's case, this corresponds to a healthy and nutritious lifestyle. The **actual product** for B2C consumers is the tangible product the firm is offering to consumers. In the OPF market, FiB offers olive oil, vinegar, jam and honey. Regarding the features and design of FiB products, the company has mapped out a variety of products based on its consumers' shared values of being healthy and sustainable. Nevertheless, it has differentiated its offerings from conventional organic products by offering premium products, aiming to tackle a specific consumer group looking and willing to pay for high-quality products.

Not only that, in the Portuguese market FiB has already created boxes for the Christmas season, combining various FiB products at a special price. The company aims to increase brand awareness among potential consumers, but also to create higher cross-selling opportunities. When expanding to France, the company might opt to present a similar offer aligned with the French market needs. Since FiB vision relies on continuously upgrade and innovate its portfolio of products, it is expected that in the next years FiB develops new products. However, since the company will incur in high costs with the expansion to the new market, the group forecasts that FiB will launch two new products in the next five years.

Regarding the packaging, FiB must translate its label to French since *“all products retailed on the French market must be accompanied by an information leaflet in French”* (Santander Trade 2020). Moreover, FiB must apply to the AB trademark in order to include the French logo into its products. Since the enterprise complies with the regulations for the use of this label, its introduction in the products will be crucial to its success in the French market while it is not

only a requirement for some distributors but also a well-recognized label among consumers (Agence Bio 2020).

Furthermore, FiB will not have to incur in any special costs as the application for this trademark is almost free (ICEA 2017). Also, FiB should aim to adapt the format of jam and honey to a larger size, more adapted to the French market characteristics and consumer preferences and expectations. Since FiB determined that it is feasible to adapt products' size and as no significant costs' increments are required, those should be adapted from 140g and 160g to 250g. Finally, the **augmented product** comprises an array of benefits and services that add value to the actual product, which will not be included in the expansion.

Pricing

At this point, FiB does not aim to sell directly to the French final consumer and, therefore, the group will be analysing the current pricing strategy applied for retailers/wholesalers, computing the so-called resale price, and also recommend the future strategy based on this. Nonetheless, although FiB does not have the power to determine the consumer price, it should negotiate the ceiling price of its products with the wholesalers/retailers, being this approach critical as the company follows a differentiation strategy, and the price needs to convey the premiumness of its products.

Currently, FiB follows the most straightforward pricing strategy approach, the cost-plus pricing, where a standard mark-up is added to the cost of the product. In FiB's case, this mark-up varies upon different products. The olive oil has a margin of three euros per Litre whilst the jam, the honey, and the vinegar have a margin of approximately five euros per Kilo or Litre. Although FiB takes a simple approach on this, given the characteristics of the olive oil market in Portugal, it has adapted its margins to remain competitive. For now, and with the adjusted costs to place the product in France, FiB should keep the same margins.

Entering a new market is always challenging, even more when distribution channels have great power over suppliers. With this said, the group believes the best approach is to follow a market-penetration pricing strategy, that is “companies setting a low initial price in order to penetrate the market quickly and deeply” (Kotler et al. 2005), when approaching the market for the first time. This discount would be around 5% on each unit of product as FiB cannot lose much money and given that FiB products are considerably different from others, the firm should be able to convince upon their premium quality. One should stress that the unit cost involves the full build-up cost incurred by the company.

Table 11: Costs and Prices of FiB’s products for the French Market

Product Type	Unit Cost (/Kg or /L)	Resale Price (/Kg or /L)	Unit Cost (package of 250 g/ml)	Resale Price (package of 250 g/ml)	5% discount
Olive Oil	8,00 €	11,00 €	2,73 €	3,48 €	3,30 €
Vinegar	4,00 €	9,00 €	1,73 €	2,98 €	2,83 €
Jam	6,00 €	11,00 €	2,23 €	3,48 €	3,30 €
Honey	5,00 €	9,60 €	1,98 €	3,13 €	2,97 €

Source: Author’s calculations based on data provided by FiB

As has been discussed throughout this report, FiB needs to sell significantly more to grow faster and to improve its financial position. After the distributor tests the products in the market, FiB should try to offer a quantity discount scheme, where its partner gets discounts when buying more than x units of a product. This is the strategy the group believes it better fits within the French market and the company necessities, as the costs per unit with production, external partners, labelling, and packaging can be significantly reduced when selling in larger quantities, increasing FiB’s competitiveness. On a final note, being the products’ expiration date long – 9 to 24 months –, distributors have less fear of not being able to sell them.

Last but not least, it is important to stress that price is the most flexible element of the marketing mix, and it can be easily modified (Kotler et al. 2005). In this context, FiB should monitor where products are being placed and at what price, as well as French consumers’ and competitors’ reactions whilst adjusting based on that information.

Place

The company's key goals are the optimization of both value to end-user and value to each of the intermediates in the value chain, assuring maximum utility to end-user, delivered in a cost-effective way (McGuffog 2016). A selective distribution strategy needs to be applied: products will be available in selected points of purchase in a given geographical area, according to the regions where target customers buy the most, and organic stores coverage is the highest [Exhibit 35]. The main objective is to expand to four of France's biggest cities: Paris, Toulouse, Marseille, and Lyon.

Three perspectives were considered when approaching potential clients. The first is through a wholesaler, responsible for deciding which stores to place FiB's products. In this case, FiB should be aware that will not have much decision power in which stores to display its products. The second one relies on reaching directly organic specialised stores. Though it may be less feasible, it would be highly advantageous as FiB could better attain target customers and more easily select stores and cities to place its products. The final approach is e-commerce. This market in France is growing at a robust rate, especially the organic one, with many stores opting for this and being a grand mean to reach *Healthy & Green Families*.

The best strategy is to enter the market through specialised stores, where prices are higher and closer to the chosen target customers. Nevertheless, as big retail chains are increasingly expanding their organic areas, as soon as FiB gets more recognition in the French market, approaching them might be a potential future strategy. One cannot forget that groups as *Carrefour* and *Casino* are taking over some organic chains – that is the case of *Bio C'on* and *Naturalia*, respectively – which creates closer networks.

A richer analysis of potential wholesalers, organic retail chains, and e-commerce stores was pursued, analysing their range of products, especially regarding prickly pear offers, their

mission/vision, and how they are positioned in terms of competition [[Exhibit 18](#)]. The following channels were then chosen. In wholesalers, *Accent Bio* and *Aventure Bio* - two organic brokers who supply over 600 organic points of sale and represent several international brands, showing openness to distribute foreign brands in the French territory. The other is a Portuguese wholesaler in France, *Miguel SARL*, a great point of contact that breaks language barriers, being entirely open to represent Portuguese products. Moreover, one of its partners (*Casino Group*) is the owner of *Naturalia*. As such, it could be easier to reach and enter the French market more successfully.

Directly in organic retail chains, *L'Eau Vive*, *La Vie Claire*, and *Les Nouveaux Robinson* were chosen. The first two sell more premium products, meeting FiB's positioning, and *La Vie Claire* particularly due to its size and presence in the cities abovementioned. Despite its smaller scale (twenty stores in Paris), the third one can be a feasible option as its philosophy relies on choosing SMEs' suppliers. Finally, and as a complement, FiB should try to have the products in *Kazidomi*, a growing e-commerce platform where 80% of users are French. To note that *Biocoop* must integrate FiB's future strategy and was not selected in a first move due to the possible unlikely success reaching this potential partner given its large size.

In sum, it is essential to mention that none of the partners have prickly pear food options in their portfolios, and, as such, FiB could add different and innovative alternatives. As soon as FiB is able to partner with a big buyer, it should stand with it. In the beginning of the expansion resources are scarce, so they must be channelled wisely and efficiently for these relationships to add value. E-commerce should be considered as a complement and not a single approach.

Promotion

Communication is essential to build and maintain any relationship. It is an imperative element in a company's efforts to establish contacts with wholesalers/retailers and create brand

awareness among potential customers (Carpenter and Sanders 2014b). To reach the French consumers, FiB's products need to be available at the sales channels. As such, a planned communication strategy to B2B was implemented relying on the main communication channels, namely personal selling, sales promotions, and direct marketing. A communication strategy for consumers, mainly to create brand awareness and desirability, was also developed.

1. B2B Promotion Strategy

Traditionally the B2B area is seen as more professional and rational, where technical details are of major importance (e.g., product quality, pricing, quantity, timing), as opposed to B2C purchasing, highly based on impulse and emotions (Hallin, Johansson, and Larsson 2006). There is a need for the industrial seller to communicate and clarify this sort of information to potential clients (Lambin 2000). The buyer-seller relationship should be interactive and even educational to a certain level. So, there is the need to effectively communicate their value proposition (Peppers, Rogers, and Dorf 1999).

Besides the value proposition and a message that should be consistent, some points of difference should be highlighted when presenting FiB to prospect buyers, depending on the distribution channel. After analysing the previously chosen organic specialised chains and wholesalers, both in terms of price and quality, their existing range of products, business priorities, and philosophy, specific value-adding points tailored to their needs were identified. A marketing communication strategy was developed to communicate the value proposition of FiB and its points of difference. It involves direct marketing (e.g., e-mail, LinkedIn, telephone), personal selling (personal meetings and sales presentations), the presence of FiB in trade fairs, and sending samples to the prospective buyers.

The first contact determines the sale's success, and the B2B video sales proposal can make a positive difference. Sending personalized video sales messages to potential buyers allows them to see the representatives while speaking about its products, how they can benefit their business,

which makes them more likely to engage with its sellers in conversation. In fact, 65% of executives have visited a vendor's website after watching a video, and 53% have searched to locate more information (Forbes 2010). Showing a personal side behind the corporate mask helps to build trust and credibility.

Table 12: Communication Strategy with potential Buyers and FiB points of differentiation [Exhibit 18]

Type of Distribution Channel	Name	Marketing Communication Strategy	Points to highlight when reaching these channels	
Wholesalers	Miguel Sarl	Be present as much as possible in food fairs and trade shows to start building a valuable network. Direct marketing: E-mail, telephone (sales development calls). Asynchronous Video Communication: personalized video messages created on smartphones/ computers, that are embedded in e-mails. Sales promotion through sampling. Personal Selling: Sales presentations & meetings.	FiB offers high-quality and premium organic products French consume in abundance.	Opportunity to widen its portfolio into the organic range with a Portuguese brand (sense of belonging to the same root).
	Accent Bio		FiB prickly pear by-products are innovative and different from most of the organic products on the market.	Inclusion (for the first time) of a Portuguese brand in their portfolios.
	Aventure Bio		Prickly pear fruit is a superfood, rich in several vitamins and antioxidants with several health benefits.	
Organic Retail Chains	L'Eau Vive	The production process is certified, and all their products hold the EU organic logo. A family business is guided by values of sustainability and environmental responsibility, as well as protection of health and well-being. Strong growth and development of the brand portfolio in the last years. The portfolio includes products highly valued and consumed by French people. Success stories (e.g. Auchan).	Portugal is well known for the quality of its agricultural products.	
	La Vie Claire		Additionally, Alentejo characteristics are ideal for the development of prickly pear fruit.	
	Les Nouveaux Robinsons		FiB is a small company from the Alentejo region of Portugal.	
Organic Online Stores	Kazidomi			The opportunity to be the only Portuguese brand on the platform.

Source: Authors' understanding based on distribution channels characteristics

2. B2C Promotion Strategy

B2C promotion aims to create brand awareness, attract and engage with customers by providing enough information about the product to motivate them to purchase (Carpenter and Sanders 2014b). An ongoing promotion plan was developed comprising five general initiatives and one seasonal campaign that will be implemented in different periods over the five years. Each campaign deserved a single strategy, using the 6Ms framework (to be found in the appendix).

Within the Money topic, a specific marketing budget will be allocated in the *Financial Analysis* section for each of the five years. Finally, the marketing plan implementation will be guided through a roadmap, further depicted in the section *Business Strategy Execution and Implementation*.

1. Create brand awareness and desirability

FiB is entering a new market, as such, the priority is to create brand awareness and desirability for the French consumers interested in organic food, high-quality, and sustainable products in the early stages of the [CDJ](#), the consider/evaluate stages, attracting customer interest. The media used should be display ads, one of the main forms of digital outbound marketing, and Facebook ads. The display ads, using native advertising, are very effective as they are usually better received by the target audiences. The ads would be present in French blogs and digital magazines about organic and natural food, healthy lifestyle, sustainability, and/or zero waste and motherhood. Once Facebook is the social media mostly used by the people in these age segments, it is crucial to have Facebook ads, an effective way to reach and impact our audience. The ad aims to differentiate the brand and focus on the high-quality of the premium products and the prickly pear fruit, a superfood with antiviral and anti-inflammatory properties. The potential customer would be redirected to the company's website [\[Exhibit 19\]](#).

2. Increase brand visibility and engage with consumers

Centred on the evaluate stage of the [CDJ](#), this initiative focuses on increase brand visibility among women aged between 35 and 49 years old, concerned with their families' well-being, and making healthy and sustainable choices. FiB should approach French influencers through Facebook, within the same age range as the target group, who pursue a healthy lifestyle relying on organic and environmentally friendly food products. By using influencer marketing to promote the company portfolio and the prickly pear health benefits and create recipes using its products, the social media channels and the website views would increase, enhancing brand

exposure to potential consumers. On a final note, the group recommends *Kolsquare*, a platform that helps marketers optimize their influencer marketing campaigns [\[Exhibit 20\]](#).

3. Attract and acquire new customers

This initiative focuses on consumers on the evaluate stage of the [CDJ](#), searching for more information regarding organic food or cosmetics brands. It should be conducted in Google Search Ads by targeting people searching for premium food brands, organic products, organic and/or sustainable brands, prickly pear, any of our products, etc. The Google Ads campaign will have two different ad groups, the *Healthy & Green Families* and *Organic Enthusiasts*, targeting the age range of its consumers. This will allow the creation of different keyword lists and ads mirroring its concerns and the reasons that lead them to choose organic and design the ads accordingly [\[Exhibit 21 & Exhibit 22\]](#).

4. Develop a relationship with actual and prospective consumers

The company already offers a trendy website and an updated Facebook and Instagram accounts, the two social media networks with the highest penetration rate in France (Statista 2019a). Nonetheless, the content shared should also be available in French and directed to each market to develop a closer relationship with actual and potential consumers and increase brand loyalty. This initiative is designed for French consumers interested in organic products, healthy lifestyles, and environmental consciousness subjects, included in the consider and experience/bond stages of the [CDJ](#). FiB must create two new sections on the website, the ‘*Recipes*’ including different meal and snack options using FiB’s products, and the ‘*Find our Products*’ for the Portuguese and French markets, containing all the physical points of sale, as well as web stores where the company’s products can be found. Furthermore, the company should increase the number of posts and create new content in social media networks. For example, products’ details, recipes, prickly pear benefits, healthy lifestyles, sustainability, and zero waste [\[Exhibit 23\]](#).

5. Search Engine Optimization

Search engine optimization (SEO) is the process of editing a website's content and code to improve visibility within search engines. The visibility of the web content to prospective audiences often depends on how well the webpage or site ranks in a search engine's results pages as consumers usually begin their search with an organic click. It is, therefore, essential to invest in SEO. For effective SEO, FiB should consider the web content's audiences and website's competitors when analysing keywords; insert keywords into web text that will appear on search engine results pages; and involve their web content and website with other web content creators (Killoran 2013). The organic ranking is improved by SEO if and only if the quality provided by a website is sufficiently positively correlated with its valuation for consumers, so the quality of the content is key (Berman and Katona 2013). The content marketing initiative will increase the website's visibility, which already provides a good user experience and content for relevant searches, driving organic traffic.

6. Boost sales and create brand awareness on special seasons

This seasonal initiative is focused on creating special campaigns during the Christmas season for the two segments targeted. This campaign's principal goals are to increase the company's revenues and create brand awareness through *Christmas Box* sales. This seasonal campaign would be conducted through Facebook Ads, influencer marketing and content marketing. Moreover, it would be focused on *Christmas Box's* promotion and giveaways as well as Christmas recipes using FiB products. The company should also build a strategic alliance with Portuguese producers of organic premium products, such as wine, cheese, and toasts. The recommendation is to create a *Christmas Box* with different products from both/multiple brands, where synergies can be achieved, meaning market share, revenue streams, and cost savings may enhance. Co-marketing partnerships allow the company to attract new customers

and market segments, share advertising and transportation costs, and create brand awareness (Fernandes et al. 2019) [[Exhibit 24](#)].

9. Financial Forecast

A five-year forecast (2021-2025) is going to be performed to evaluate whether FiB's expansion project to France is financially viable. Therefore, the NPV of the project will be computed using the discounted cash flow (DCF) method. This value represents the increase in the market value of a company and the decision rule for capital investment is to accept an investment/project if the NPV is positive (Brealey, Myers, and Allen 2012). For this purpose, an estimation of FiB's **incremental cash flows**, generated by the expansion project, and an expected return in the **next five years** is going to be performed.

9.1 Project Discount Rate

This topic requires the estimation of the discount rate to be used in this project to discount the cash flows. Usually, the WACC is used as a proxy. FiB aims to finance this project exclusively with equity, so the required return should equal the **cost of equity**. Moreover, for the feasibility of this project, a venture capital firm should be considered in financing this expansion. To compute the cost of equity, and considering that all "*investments must plot along the security market line*" (Brealey, Myers, and Allen 2012), the CAPM was employed in this estimation. This model implies that in a competitive market, the expected risk premium on a project varies proportionally with its systematic risk: $r - r_f = \beta(r_m - r_f)$. This result will represent the minimum return required by the shareholders for the project to be worthwhile (Brealey, Myers, and Allen 2012).

With this being said, one should find the MRP – the difference between the market portfolio expected returns and the risk-free rate – and the company beta (Brealey, Myers, and Allen 2012). Considering information from the past five years, a monthly average return was

calculated based on the historical data from the US Treasury Bills with five years maturity, to estimate the risk-free rate, and the S&P 500, to forecast the market portfolio return [[Exhibit 25](#)]. A five-year US Treasury Bill was chosen since the NPV will be performed assuming a five-year period of time. Regarding beta, since FiB is not a public company, a proxy method was used by weighting the betas of five publicly traded food processing companies, using available secondary data. Moreover, before the weighting process, all the betas were unlevered to represent the market risk of the company without debt factors, reaching a potential unlevered beta for the company of 0,40 [[Exhibit 26](#)]. Finally, with an MRP of 7,97%, the minimum required return, the cost of equity stood at 5,30%. It is important to note that the reached beta is marginally lower than the one found in secondary data (0,60) (Damodaran 2020), leading to a higher discount rate (around 7%), consequently resulting in a lower NPV [[Exhibit 27](#)].

9.2 Cash Flows

Before making use of any discount rate, it is crucial to understand what value will be created or lost by FiB if investing in the expansion to France. This will be given by the company's cash flows generated during the project. In specific, it will incorporate two types of cash flows: **operational cash flows**, the amount of cash generated by FiB's core business operations, and **investing cash flows**, which represent the purchase or development of assets. All in all, the ultimate goal is to maximize the sum of operational and investing cash flows, the so-called FCF. To determine the operational ones for each period, *Revenues*, *Cost of Revenues*, *Operational Expenses*, and *Tax Obligations* have to be considered. In the case of investing cash flows, *Capital Expenditures*, and *Investment in NWC* were measured.

9.2.1 Revenues⁸

To calculate potential *Revenues*, the penetration rate, the market reach, the units sold, and the average resale price of FiB's products were estimated. At first, it was assumed the company would start selling in the second semester of 2021. As previously stated, the **HGF** and the **OE** will be the target segments during the expansion project. The total number of consumers per channel, the **Organic Specialised** and the **Online Stores**, were estimated accordingly.

In 2021, it was assumed that FiB's products would be placed in specialized retailers in the Island of France, whose central city is Paris, and in an online store, Kazidomi. Later on, in 2023, the company will expand to the Southeast region, reaching three large cities with a high market potential, Marseille, Toulouse, and Lyon. The number of specialized stores in the two distinct areas was estimated to reach the **total market potential** per store and region.

The marketing campaigns are expected to yield positive results, thus increasing the number of **consumers reached** from 2022. Between 2023 and 2025, higher growth rates were forecasted as a new product will be introduced in the market. In 2021, it was assumed that the products would be available in 5% of the total number of stores in both regions. For the Island of France in 2022 and the Southeast in 2024, a 50% increase in the number of stores reached was estimated. All in all, having computed the market potential, the penetration rate, and the number of organic stores reached, the **total market reach** was measured. In the first year, FiB is expected to reach 8 285 customers and in 2025, 43 204 customers, corresponding to a 445% growth rate [[Exhibit 28](#)].

Total sales were computed using quantities sold and price. In 2021, as FiB will operate only half a year, and there is a low brand awareness, the **quantities sold** were estimated to be small. As such, in 2022 the average quantities sold was assumed to double, and a growth rate of 10%

⁸ Note that the revenue amount achieved in the French market is correspondent to the amount sold to wholesalers or retailers, but for a matter of simplification, it was assumed that these quantities are equal to the units purchased by the final consumer.

was applied in years where a new product is launched, while a rate of 5% was considered for years with no new product [

[Exhibit 29](#)]. Regarding **price**, this metric was computed as the average of FiB's resale price for wholesalers/retailers of the four products, € 3,26. In 2021 an entry discount of 5% was applied, while from 2022 onwards a quantity discount of 5% was used. It was estimated this discount would be only employed in 80% of the total amount of sales. Finally, it was possible to compute the value of **total sales**, representing € 84 246 in the first year, expecting to reach € 1 162 781 by 2025, corresponding to a market share of 0,026% [\[Exhibit 30\]](#). The complete revenue forecast and calculations can be seen in [\[Exhibit 31\]](#).

9.2.2 Costs

Regarding negative operational cash flows, *Cost of Revenues*⁹ needed to be computed. For this calculation, the average cost per unit (a package of 250 ml or 250 g) was needed. This cost includes the material cost, the expense incurred in the transformation of the final product, the packaging (€ 0,30/unit), the labelling (€ 0,25/unit) and the transportation cost for shipping products to France (€ 0,08/unit). This amounts to a final average cost of revenue of € 2,16 per unit, in 2021. Moreover, it was estimated this unit cost will decrease over the other four years as quantities ordered increase (2,5% decline each year). Finally, by multiplying this unit cost by the total quantities sold, the total cost of revenues was achieved [\[Exhibit 32\]](#).

Concerning the *Operational Expenses* caption, salaries, accounting services, certification, marketing, and representation costs were estimated for the five years under analysis. The projected **salary** costs contain the employment of three new workers across the years [\[Exhibit 33\]](#). In the second quarter of the first year and over the periods, the author recommends the allocation of an IEFP intern responsible for monitoring the exportation processes and

⁹ It was decided to recall this cost as cost of revenue since the transformation process is taken over by an external partner.

supporting the marketing campaigns. A percentage of the salary is reimbursed by the Portuguese Social Security, which brings a significant cost reduction to the company, mainly in the first phase of the expansion. Furthermore, with the scale-up of operations, the intensification of logistical processes and marketing campaigns, as well as the further expansion to a large number of stores and a new region, it is primordial the employment of two managers assigned to distinct areas, notably sales, marketing, operations, and logistics.

Currently, FiB has one accountant, nevertheless, with the expansion and the consequent massive increase in the sales volume, FiB will need to contract a specialized and bigger company of **accounting services**. To attain the incremental cost in this item, an allocation basis was used based on the expected sales volume of the French market against the Portuguese and other markets. This allocation was estimated to be 50/50 in 2021, 70/30 in 2022, and 80/20 in the following years. According to CEO's information, accounting costs are estimated to increase from € 400 in 2021, to € 1 800 in 2025.

The expenses related to **certification** include the organic logo costs required when a new product is crafted. Therefore, by 2023 and 2025, with the launch of new OPF products in the French market, a € 1 000 expense are expected to be incurred by the company. Regarding **marketing**, the costs allocated to promotion campaigns were forecasted as a percentage of half of the revenues of year t and $t+1$. In 2021, it was assigned a higher rate, 5%, as the company is entering a new market, and it is critical to create brand awareness and promote the company's products. In the following years, since the company is already settled in the French market and sales are growing continuously, this percentage will decrease.

Furthermore, it is important to point out this percentage will be higher in the years in which a new product is introduced in the market. To reduce the marketing costs in the early stages of expansion and assist the intern, it is recommended the outsourcing of external marketing

services from a start-up. In this way, FiB could attempt to negotiate more favourable payment conditions, as a variable cost conditional on the company's sales results.

Representation costs relate to additional operational expenses FiB bears from its business, being a difficult value to compute accurately. In this item, it was included displacements of AB certification experts to FiB's headquarters (€ 1 100 per year) as well as costs related with visits to international fairs¹⁰ estimated to round € 900 per trip. FiB should also find a partner (*i.e.* Sales Agent) able to assist better and articulate its business in France, which rises this cost to € 9 800 in the last two years (Glassdoor n.d.). This is a relevant step for FiB's entry in the cosmetics and hospitality markets, further discussed in the *Recommendations* section.

Finally, no **depreciation** was assumed throughout the five years. Although expenses on product development as investments are being considered, for a matter of simplification, depreciation on that was excluded. Besides, since this caption is not a cash flow, it would only imply fewer tax obligations. **Tax Obligations** were computed based on the Portuguese corporate tax rate (21%) and deducted from the operating income. Lastly, since in 2021 this operating income is expected to be negative, taxes are negative and, thus, they can reduce tax obligations of the next years (up to 70% in 2022 and 30% in 2022) (PWC 2019).

Regarding **Investment Cash Flows**, CAPEX needs to be considered as it is a **Cash Expenditure**. For FiB, these are expenditures associated with the development of new products and its website translation to the French language¹¹. The website translation will be done in 2022, after half a year of operations in France, and will cost € 700. In terms of product development, expenses on the design of products were included. By 2021, a value of € 1 000 is expected as FiB will need to adapt its packaging and labelling for the French language.

¹⁰ Visits to international fairs include costs as entry fee, flights, accommodation and food expenses.

¹¹ CEO's information on past values on these expenditures was considered when computing the estimation.

Afterwards, by 2022 and 2024, an amount of € 6 000 and € 5 000 was assumed as these years precede the ones when new products will be launched.

Concerning **NWC**¹², three different rationales were applied. In terms of receivables, the French average length of 51 days was considered (MLFR 2018), so at the end of each year, 51 out of 365 days of revenues still have to be received by FiB. In terms of payables, and for a matter of simplification, it was assumed that all other costs besides the cost of revenues are paid until the end of the year. In the case of cost of revenues and according to FiB, yearly, only 50% of them were considered to have a payment period of 30 days (company's information). Lastly, it was assumed inventories would be 40% of the total quantity of prickly pear pulp used in the vinegar and jam, olive oil and honey sold in the following year [[Exhibit 34](#)].

On a final note, it is important to stress that for a question of cash flow accountability, what matters is the change in NWC from one year to the other. Given this, in the next five years, the *Investment in NWC* will always be a cash outflow, which might hinder the feasibility of this project [[Exhibit 35](#)]. Solutions for these pressing issues will be discussed in the *Business Implementation* section.

Table 13: Free Cash Flows

	2021	2022	2023	2024	2025
Operating Cash Flow					
Revenues	€ 84 246	€ 289 429	€ 625 424	€ 851 929	€ 1 162 781
Operating Expenses					
Costs of Revenues	€ 58 780	€ 194 841	€ 410 505	€ 545 195	€ 725 522
Cost of Revenue per Unit	€ 2,16	€ 2,11	€ 2,06	€ 2,00	€ 1,95
Operational Expenses					
Salaries	€ 1 420	€ 15 954	€ 45 354	€ 45 354	€ 45 354
Accounting Services	€ 2 400	€ 5 880	€ 11 520	€ 13 440	€ 17 280
Certification	€ 0	€ 0	€ 1 000	€ 0	€ 1 000
Marketing	€ 9 342	€ 11 436	€ 22 160	€ 20 147	€ 41 224
Represent. Costs & Others	€ 2 000	€ 3 800	€ 3 800	€ 9 800	€ 9 800
Operating Income	€ 10 304	€ 57 518	€ 131 085	€ 217 993	€ 322 601
Taxes (21%)	€ 2 164	€ 12 079	€ 27 528	€ 4845 779	€ 67 746
Operational Cash Flow (1)	€ 8 140	€ 46 954	€ 104 206	€ 172 215	€ 254 855

¹² NWC = Accounts Receivable + Inventory - Accounts Payable

Investment Cash Flow					
CAPEX	- € 1 000	- € 6 700	€ 0	- € 5 000	€ 0
Product Develop./Design	€ 1 000	€ 6 000	€ 0	€ 5 000	€ 0
Website Translation	€ 0	€ 700	€ 0	€ 0	€ 0
Invest. in NWC = - Δ NWC	- € 54 453	- € 53 314	- € 62 715	- € 59 178	- € 80 024
Receivables	€ 23 543	€ 40 441	€ 87 388	€ 119 037	€ 162 471
Payables	€ 4 898	€ 8 118	€ 17 104	€ 22 716	€ 30 230
Inventory	€ 35 809	€ 75 445	€ 100 199	€ 133 340	€ 177 444
NWC	€ 54 453	€ 107 767	€ 170 482	€ 229 661	€ 309 684
Investment Cash Flows (2)	- € 55 453	- € 60 014	- € 62 715	- € 64 178	- € 80 024
Free Cash Flow (1)+(2)	- € 47 313	- € 13 060	€ 41 491	€ 108 036	€ 174 831

Source: Author calculations and estimations

9.3 Net Present Value (NPV)

The profitability of the project will be analysed by using the NPV, which sums up all the projected discounted cash flows. At this point, the 5,30% discount rate found in the previous section will be used to discount the FCF. On an additional note, the 2021 investments in product design (€ 1 000) will not be discounted as they will happen at the beginning of the period. All the other items of 2021 will be discounted 0,5 periods as they are expected to occur six months after the initial investment. From that on, and taking into consideration this assumption, all the other FCF will be discounted $t+0,5$ periods. This methodology led the author to achieve a final NPV of € 206 992 for the next five years, indicating that the earnings generated by the FiB's expansion to France will exceed the anticipated costs, making this project worthwhile. The IRR, which is the annual rate of growth an investment is expected to generate, equalled 72% (Brealey, Myers, and Allen 2012).

Table 14: NPV of the Project

	2021	2022	2023	2024	2025
Free Cash Flow (€)	- € 47 313	- € 13 060	€ 41 491	€ 108 036	€ 174 831
Growth Rate (%)		- 72%	- 418%	160%	62%
Discounted Cash Flow (€)	- € 46 133	- € 12 087	€ 36 465	€ 90 171	€ 138 575
NPV of the Project (€)	€ 206 992		IRR		72%

Source: Author calculations and estimations

On a final note, no terminal value was considered because the company's growth is still not stable, and it is not expected to become after the five-years period. And even though the time

span of the forecasts could have been increased to get a more stable and lower growth rate that could apply forever, due to space limitations and a high degree of uncertainty, it was decided to keep a more simplistic analysis, but at the same time realistic.

9.4 Scenario and Sensitivity Analysis

Perform a **Scenario Analysis** allows a better view of different, yet consistent, combinations of variables, enhancing the robustness of the financial breakdown (Brealey, Myers, and Allen 2012). Because of this, best- and worst-case scenarios were developed. The reasons behind a worst scenario may be either natural or French market reactions. The first one could be related with FiB undergoing a bad year of cultivation which will rapidly harm raw materials production. Whereas the second might be caused by unfavourable consumers’ perceptions and adaptation to FiB’s products or poorly effective marketing strategies over target segments. Overall, assuming a **pessimistic scenario**, both reasons decreased the total quantities sold, leading to an estimated 10% yearly decrease in sales. Besides, in this scenario, it was assumed an equal unit cost of revenue and raw material throughout all years and FiB taking, on average, 90 days to receive from its clients, which would push the firm to a weak position as the payment period to its external providers would be much lower (30 days). Though, the resulting NPV would be negative, - € 24 989. In a more **optimistic scenario**, FiB would be able to reach higher sales volume, revealing a 10% increase each year, and to sustain a lower unit cost of revenue and raw materials, reflected in a yearly 5% decrease. Under this scenario, it would take, on average, only 30 days to collect receivables, reaching an NPV of € 420 580.

Table 15: Scenario Analysis

	Bad	Normal	Good
Cost of revenue per unit & Cost of raw materials (growth rate)	0%	-2,5%	-5%
Quantities sold (growth rate)	-10%	-	10%
Collection Period (Receivables) (days)	90	51	30
NPV	- € 24 989	€ 206 992	€ 420 580

Source: Author calculations and estimations

Finally, considering most assumptions of the normal case are susceptible to a high degree of uncertainty, several **Sensitivity Analyses** were performed to study in-depth a range of variables and understand their impact on the NPV of the project (Brealey, Myers, and Allen 2012). The most relevant outcomes were obtained in the sensitivity analysis involving changes on the **market penetration rate** for the HGF and OE segments, the **number of stores** in the Island of France and Southeast regions, and the **quantity sold per customer** for the HGF and OE segments. The market reach and consequently, the total quantities sold depend on these variables, which makes them particularly important. Moreover, such analysis is essential to evaluate how various sources of uncertainty result in different project's outcomes. For each sensitivity analysis, the range of values assumed for the first year affects the future years' amounts, as growth rates remain constant. The results illustrated in the following tables suggest that pessimistic values might represent potential losses and negative NPVs of the project. On a final note, the author has also performed a sensitivity analysis for the discount rate to see the impact of higher ones in the final NPV, but little impact was found [[Exhibit 36](#)].

Table 16: Sensitivity Analysis of the NPV given changes in the Market Penetration Rate of HGF and OE segments (%)

OE\HGF	1%	3%	5%	6%	7%	8%	10%	12%
1%	-€1 513 227	-€1 252 833	-€992 438	-€862 241	-€732 044	-€601 846	-€341 452	-€81 057
3%	-€1 333 485	-€1 073 091	-€812 696	-€682 499	-€552 302	-€422 105	-€161 710	€98 685
5%	-€1 153 744	-€893 349	-€632 955	-€502 757	-€372 560	-€242 363	€18 032	€278 426
7%	-€974 002	-€713 607	-€453 213	-€323 015	-€192 818	-€62 621	€197 774	€458 168
9%	-€794 260	-€533 866	-€273 471	-€143 274	-€13 076	€117 121	€377 515	€637 910
10%	-€704 389	-€443 995	-€183 600	-€53 403	€76 794	€206 992	€467 386	€727 781
12%	-€524 647	-€264 253	-€3 858	€126 339	€256 536	€386 734	€647 128	€907 523
14%	-€344 906	-€84 511	€175 883	€306 081	€436 278	€566 475	€826 870	€1 087 264

Source: Author calculations and estimations

Table 17: Sensitivity Analysis on the NPV given changes in the Number of Organic Specialized Stores in the Island of France and Southeast regions (stores)

South\IF	5	10	15	20	28	35	40	45
5	-€1 409 422	-€1 177 669	-€945 915	-€714 162	-€351 099	-€18 903	€212 850	€444 603
10	-€1 317 301	-€1 085 548	-€853 795	-€622 042	-€258 979	€73 218	€304 971	€536 724
20	-€1 133 060	-€901 307	-€669 554	-€437 801	-€74 737	€257 459	€489 212	€720 965
30	-€948 819	-€717 066	-€485 313	-€253 559	€109 504	€441 700	€673 453	€905 206
35	-€851 331	-€619 578	-€387 825	-€156 071	€206 992	€539 188	€770 941	€1 002 694
40	-€764 578	-€532 825	-€301 071	-€69 318	€293 745	€625 941	€857 694	€1 089 447
45	-€672 457	-€440 704	-€208 951	€22 802	€385 866	€718 062	€949 815	€1 181 568
50	-€580 336	-€348 583	-€116 830	€114 923	€477 986	€810 182	€1 041 935	€1 273 689

Source: Author calculations and estimations

Table 18: Sensitivity Analysis on the NPV given changes in the Quantity Sold per Customer of HGF and OE segments (units)

OE\HGF	1	2	3	4	5	6	8	10
0,5	-€1 381 649	-€1 105 928	-€830 208	-€554 487	-€278 766	-€3 045	€548 396	€1 099 837
1	-€1 229 353	-€953 633	-€677 912	-€402 191	-€126 470	€149 250	€700 692	€1 252 133
2	-€924 762	-€649 041	-€373 320	-€97 600	€178 121	€453 842	€1 005 283	€1 556 725
3	-€620 170	-€344 450	-€68 729	€206 992	€482 712	€758 433	€1 309 875	€1 861 316
4	-€315 579	-€39 858	€235 863	€511 583	€787 304	€1 063 025	€1 614 466	€2 165 908
5	-€10 987	€264 733	€540 454	€816 175	€1 091 895	€1 367 616	€1 919 058	€2 470 499
7	€598 195	€873 916	€1 149 637	€1 425 358	€1 701 078	€1 976 799	€2 528 240	€3 079 682
10	€1 511 970	€1 787 691	€2 063 411	€2 339 132	€2 614 853	€2 890 573	€3 442 015	€3 993 456

Source: Author calculations and estimations

10. Business Strategy Execution and Implementation

10.1 Business Strategy Implementation

The following roadmap depicts the complete business strategy implementation and its timings, namely related to the products that will be present in the French market, in which channels and regions of France they will be sold, the new hires, the marketing communication strategy for B2B and B2C, and the certification with the AB logo. During the first five years, the company will sell its current food products and introduce new ones in 2023 and 2025. After 2025, the group considers that introducing its cosmetics range will be a good and secure strategy, when the firm already has a larger portfolio, more knowledge of the market dynamics, has established some contacts, and the French consumers are familiarized with the brand. Finally, the group suggests that from 2025 onwards, besides selling its products for organic specialised stores and online stores, FiB should also invest in the hospitality industry and sell its food products to gourmet restaurants and hotels (to be discussed in *Further Recommendations*).

Table 19: Business Strategy Implementation Roadmap

Initiatives	2021	2022	2023	2024	2025	2025+
Financing	Venture Capital firm					
Products Sold	Food products: Olive Oil, Vinegar, Jam and Honey					
			New Product		New Product	Cosmetics
Location of FiB's products	Island of France (Paris)					
			Southeast (Marseille, Toulouse, and Lyon)			
Channels	Organic Specialised Stores and Online Stores					
						Restaurants and Hotels
New hires	Marketing and Expansions Intern					
		Marketing and Sales Manager and Accounting Services Company				
		Operations Manager				

Marketing	B2B Communication		B2B Communication
	B2C Communication		
Certifications	A/B Logo		A/B Logo

10.2 Marketing Plan Implementation

Previously, a promotion strategy was designed based on two pillars: B2B and B2C. The B2B communication and promotion strategies will be crucial in the first semesters, especially in the 1st semester of 2021, when FiB will start to approach the French market to establish contracts and place its products in organic specialised and online stores. As mentioned above, the group considers that five years from now, when the brand already has some market share, expression and consumers are engaged with it, FiB should introduce its range of cosmetic products, which will drive the need to promote them to B2B channels.

In terms of the B2C communication strategy, six different initiatives were created; however, they will not be all done simultaneously to optimize costs. **Display ads** should be done when FiB is in the early stages of the expansion and when introducing the cosmetics. This type of communication broadcasts company-initiated marketing messages in digital media alongside third-party generated content to attract consumers' interest as it is more suitable to generate customer interest and generate brand awareness.

Once the website's visibility to prospective audiences is highly dependent on how well the website ranks in a search engine's results pages, **SEO** should always be a top priority and be done consistently. For that same reason, **Content Marketing**, which will be essential for SEO, should also be done throughout the project's lifetime. The same applies to **Google Search Ads**, to always have advertisements on the results page of a search engine targeted to match relevant keywords on consumer-initiated queries. This way, FiB guarantees a strong and consistent presence in consumer-initiated communications.

Influencer Marketing should be used to increase brand visibility and engagement with consumers in the first year and when new products are launched. Finally, each year on **Christmas**, a special campaign will be conducted to promote the packs. In *Table 22*, the complete roadmap is displayed.

Table 20: Marketing Strategy Roadmap

		2021		2022		2023		2024		2025	
		1Sem	2Sem	1Sem	2Sem	1Sem	2Sem	1Sem	2Sem	1Sem	2Sem
B2B											
B2C	Display Ads										
	Google Ads										
	SEO										
	Influencers										
	Content M.										
	Christmas										

11. Conclusion

FiB is a certified organic farming business that offers a wide range of unique and differentiated products (i.e., food and cosmetics) based on agricultural and environmental practices that guarantee their high quality and singularity. The firm’s commitment to constantly innovate and upgrade its portfolio is the basis of its sustainable competitive advantage, crucial to integrate international markets successfully.

Given the current financial situation of the firm, driven mainly by the high investments made in the beginning of its operations and given the Portuguese unfavourable demand conditions, for the firm to sell in quantity and survive on the short and long term, it is mandatory to internationalise its business. As such, an internationalisation plan was developed for FiB.

The clustering and ranking analysis were made with 39 high-income countries. Four different markets were selected for an in-depth analysis: Denmark, Sweden, France, and Germany. After comparing the in-depth analysis of the country overview, contacts, competitor analysis, market potential, and market entry conditions, the group suggests France as the most attractive market for FiB at the current moment. France was considered the country with the most favourable competitive landscape, the biggest market size and potential, having the highest growth rates in

terms of organic consumption per capita and market value. Besides, it is among the European countries that most import the food products that FiB sells.

Direct Exporting was the recommended entry mode, supported by a contract-based relationship. It is the faster way to enter a foreign market, with lower risk and financial commitment, which allows high control over its brand, allowing FiB to have the ability to improve the competitive position and maximise returns on its assets. A marketing plan was developed to establish and grow its brand awareness and have a successful communication strategy for B2B and B2C channels.

Finally, the Financial Forecast was done and a 5-year NPV was calculated. The positive value of €205 020 for the normally expected scenario suggests that the earning generated by the expansion to France will exceed the anticipated costs, making this project worthwhile and profitable. The group recommends FiB to invest in this project and start its expansion in the beginning of 2021. One should note that the estimated levels of productions and sales in the French market are subject to the resources of the company (i.e. capacity production, human resources, etc) and that the huge investments in NWC might require capital increases through a venture capital agreement.

As international expansion is a priority for the firm, the opportunity cost, a potential missed opportunity foregone by choosing one investment over another, is the expansion for a different country from France. The French market expansion will enable FiB to gain knowledge about consumers, markets, competitor's capacity in the organic industry, and to further develop management skills and internationalisation know-how. The latter will facilitate the company to continue to grow their business and reach other international markets.

12. Further Recommendations

Along with the suggested strategy, the group proposes a few recommendations that might help the future and the feasibility of this potential expansion. On a first note, considering the investments FiB will need to do in NWC throughout the five years and that will hinder the cash liquidity of the firm, the group suggests an increase in capital through a venture with a private equity firm. For example, the Portuguese venture firm, *Capital Partners*, has financed several Portuguese companies within the health food industry, and it might be a feasible option.

Although FiB loses the entire ownership of the company, it ensures it can run future operations in France while receiving management support and cash. For the operations to run smoothly and to ensure FiB does not lose much ownership, the group suggests a € 70K capital increase that will cover part of the initial investments in NWC, some marketing expenses and that will allow the firm to have some liquidity in the following years. Moreover, despite this potential agreement, the company should try to get the most favourable deal with the French wholesaler(s)/retailer(s) in what regards the collection period and increase the payment period with its external partners.

Regarding the **cosmetic** products, as previously mentioned, from 2025 onwards, the group recommends that FiB starts exporting its cosmetic range of products. The Cosmetics industry is very competitive. The group considered that it would be better and less risky to enter the market first with the food products and then, after gathering more knowledge, presence, and brand awareness, introduce its cosmetics range. Moreover, FiB should aim to obtain an *Ecocert* or *Cosmebio* certifications for its products since they are the most well-known labels for organic cosmetics in France.

Concerning FiB's approach in **restaurants and hotels**, the group considers that the investment should be made when the market, particularly the hospitality industry, one of the most negatively impacted, is fully recovered from Covid-19. On another level, since one of the key

competitive advantages of FiB relies on constantly **innovating and creating new products**, the group believes that FiB would want to develop new products during the five years under analysis. Having said that, the group recommends the inclusion of a **baby food product**, such as baby fruit purees. Organic baby food is the OPF category with the highest forecasted sales growth between 2019 and 2024 in France (Passport 2020a). FiB also has an opportunity to tackle the *Healthy & Green Families* segment, given parents' increasing consciousness, looking for healthy products for their children.

Regarding further **marketing strategies**, the group proposes the creation of a loyalty program. Through FiB's website, consumers would be able to insert the code present in each FiB product in exchange for a certain number of points. These points could be then converted to discounts on FiB products. Moreover, another interesting feature of the loyalty program might consist in the exchange of points for agri-tourism activities in FiB plains in Alentejo, and in partnership with hotels and farmsteads/ranches of the region. This strategy would aim to create a closer relationship with the French consumer.

At the beginning of the expansion, the marketing communication strategy's main goal is to increase brand awareness and attract new potential customers. Given this, the development of a loyalty program is better suited for a later phase of the expansion when FiB attempts to retain existing customers. Furthermore, this marketing strategy requires extra costs that would not be financially viable at the beginning of the expansion.

On an additional note, with the development of the new country's business and increased turnover, FiB might deem it essential to establish a warehouse in France. Finally, in the medium-term, FiB might opt to expand its operations to a new international market. **Denmark** might represent the best option since, according to the group's analysis, this is the

most attractive market after France due to its huge market potential and Danish's consumers high purchasing power.

13. Limitations

The analysis performed in this report is expected, for the base scenario, to be the most statistically probable outcome of the expansion. However, this research project is subject to some potential and unavoidable limitations. Since FiB offers a very diverse portfolio of products within different industries, it becomes challenging to implement a singular strategy that can capture its whole variety of product lines. The diversity of consumers within the various industries and products creates a wide range of preferences that can hardly be encompassed by a single strategy. Due to the Covid-19 pandemic, any long- or short-term prediction is susceptible to considerable unpredictability. Hence, it is difficult to predict how the pandemic will drive the economy and affect the OPF industry, influencing future forecasts of cash flows. Lastly, the lack of available data regarding prickly pear products in the OPF industry has limited the scope of the analysis and compelled the group to make assumptions

Endnote

Throughout the report the company's name was replaced by a pseudonym due to confidentiality reasons.

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Appendix

Exhibit 1: Timeframe that depicts FiB key moments

2013	2016	2017	2018	2019	2020
FiB is launched.	In 2015 FiB plants the first prickly pear orchard. 2016 is the first year in which they sell fresh fruit.	The firm understood that their strategy needed to change. They should start producing by-products and expand internationally.	Partnership with the large Portuguese retailer, Intermarché, to sell fresh fruit. FiB starts selling in Spain.	Food by-products Started producing the vinegar, jam and honey, in partnership with Mendes Gonçalves. Organic Soaps and Cosmetics Launched three different soaps and an oil. FiB starts selling in Germany.	Sumol & Compal launches its prickly pear juice, with fresh fruit from FiB. Launch of the prickly pear yoghurt, in partnership with Devaca. Website relaunch & creation of an online store. FiB starts selling in the Netherlands.

Source: FiB website and information provided by the CEO

Exhibit 2: FiB's portfolio of products (olive oil, vinegar, honey, jam, soaps, seed oil)



Exhibit 3: FiB Profitability Ratios

Profitability Ratios	2019	2018	2017	2016
EBITDA Margin	12%	-128%	-137%	-11%
EBIT Margin	-27%	-250%	-188%	-78%
ROA	-9%	-23%	-12%	-8%
Profit Margin	-32%	-265%	-208%	-84%

Source: Orbis and Authors' calculations

Exhibit 4: FiB Operational and Structure Ratios

Operational Ratios	2019	2018	2017	2016
Net assets Turnover	35%	9%	7%	14%
Inventory Turnover	15,44	-	-	-
Collection Period (days)	88,49	96,14	-	1,35
Credit Period (days)	58,94	115,71	268,72	53,84

Structure Ratios	2019	2018	2017	2016
Current Ratio	1,61	2,34	0,90	1,79
Liquidity Ratio	1,50	2,34	0,90	1,79
Cash Ratio	0,63	0,51	0,17	0,27
Net Working Capital	€ 34 679,25	€ 24 374,97	- € 4 706,46	€ 29 672,44

Source: Orbis and Authors' calculations

Exhibit 5: FiB Income Statement and Balance Sheet

Income Statement	2019	2018	2017	2016
Sales	€ 44 052	€ 19 809	€ 7 108	€ 1 247
Operating Grants	€ 44 861	€ 5 083	€ 4 618	€ 7 364
Inventories of production change	€ 4 600	-	-	-
COGS	- € 4 232	- € 4 304	- € 275	- € 283
External Suppliers and Services	- € 73 986	- € 57 785	- € 40 270	- € 7 153
Employees Expenses	- € 9 819	- € 2 002	- € 90	- € 4 850
Other Revenue and Gains	€ 8 244	€ 3 648	€ 6 598	€ 2 664
Other Expenses and Losses	- € 1 053	- € 870	- € 2 778	- € 255
EBITDA	€ 12 666	- € 36 421	- € 25 089	- € 1 267
Depreciation and Amortisation	- € 40 041	- € 35 019	- € 9 317	- € 7 519
EBIT	- € 27 374	- € 71 439	- € 34 405	- € 8 786
Interests	- € 4 427	- € 4 079	- € 3 631	- € 657
EBT	- € 31 802	- € 75 519	- € 38 036	- € 9 443
Income tax for the period	- € 632	-	-	-
Net Result for the period	- € 32 433	- € 75 519 €	- € 38 036	- € 9 443

Balance Sheet	2019	2018	2017	2016
Fixed Assets	€ 260 237	€ 290 161	€ 272 134	€ 51 603
Intangible fixed assets	€ 7 301	€ 12 995	€ 15 513	-
Tangible fixed assets	€ 252 884	€ 277 164	€ 256 619	€ 51 600
Other fixed assets	€ 52	€ 2	€ 2	€ 2
Current Assets	€ 91 421	€ 42 572	€ 42 231	€ 67 399
Inventories	€ 6 592	-	-	-
Clients	€ 25 012	€ 7 622	-	€ 42
State and other public bodies	€ 4 761	€ 5 796	€ 3 445	€ 2 572
Other current assets	€ 19 167	€ 19 932	€ 31 004	€ 54 641
Cash & cash equivalent	€ 35 889	€ 9 222	€ 7 783	€ 10 144
Total Assets	€ 351 658	€ 332 732	€ 314 365	€ 119 002
Liabilities & equity				
Shareholders' funds	- € 1 506	€ 42 647	€ 42 930	€ 28 564
Capital	€ 30 927	€ 118 166	€ 80 966	€ 38 007
Net Result for the period	- € 32 433	- € 75 519	- € 38 036	- € 9 443
Non-current liabilities	€ 296 422	€ 271 889	€ 224 497	€ 52 711
Long-term debt	€ 296 422	€ 271 889	€ 224 497	€ 52 711
Other non-current liabilities	-	-	-	-
Provisions	-	-	-	-
Current liabilities	€ 56 741	€ 18 197	€ 46 938	€ 37 727
Suppliers	€ 16 659	€ 9 173	€ 13 678	€ 1 686
State and Public bodies	€ 1 217	€ 24	-	€ 1 000
Deferral	€ 3 750	€ 7 500	€ 11 250	€ 15 000
Other current liabilities	€ 35 115	€ 1 500	€ 22 010	€ 20 041
Total shareholder funds & liabilities	€ 351 658	€ 332 732	€ 314 365	€ 119 002

Source: Data retrieved from Orbis

Exhibit 6: Variables Description

Variables	Explanation of Variable	Source
ECONOMIC		
Control Corruption (Estimate)	Captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests. Estimate gives the country’s score on the aggregate indicator, in units of a standard normal distribution.	Worldbank.org
Government Effectiveness (Estimate)	Captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies. Estimate gives the country’s score on the aggregate indicator, in units of a standard normal distribution.	Worldbank.org
IP Rights Index	Scores the underlining institutions of a strong property rights regime: the legal and political environment, physical property rights, and intellectual property rights	Property Rights Alliance
Total Tax and Contribution Rate (% of profit)	Amount of taxes and mandatory contributions payable by businesses after accounting for allowable deductions and exemptions as a share of commercial profits.	Worldbank.org
Ease of Doing Business	The distance to frontier score aids in assessing the absolute level of regulatory performance and how it improves over time. This allows to see the gap between a particular economy’s performance and the best performance at any point in time. This index includes variables such as new business registered, profit tax, losses due to theft and vandalism.	Worldbank.org
SOCIAL		
Total Population	Total population is based on the <i>de facto</i> definition of population, which counts all residents regardless of legal status or citizenship. The values shown are midyear estimates.	Worldbank.org
Urban Population	Urban population refers to people living in urban areas as defined by national statistical offices.	Worldbank.org
Life Expectancy at Birth	Life expectancy at birth indicates the number of years a new-born infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.	Worldbank.org
Wage and Salaried Workers, Total	Those workers who hold the type of jobs defined as “paid employment jobs,” where the incumbents hold explicit or implicit employment contracts that give them a basic remuneration that is not directly dependent upon the revenue of the unit for which they work.	Worldbank.org
Educational Attainment, at Least Bachelor’s or Equivalent, Population 25+, Total	The percentage of the population ages 25 and over that attained or completed Bachelor’s or equivalent.	Worldbank.org
Educational Attainment, at Least Bachelor’s or Equivalent, Population 25+, Female	The percentage of female population ages 25 and over that attained or completed Bachelor’s or equivalent.	Worldbank.org
Hofstede Dimensions	The collective programming of the mind which distinguishes the members of one group or category of people from another.	hofstede-insights.com
POLITICAL		
GDP Per Capita (PPP)	PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates.	Worldbank.org
GDP Growth %	The GDP Growth rate measures how fast the economy is growing.	Worldbank.org
GDP Recovery	The GDP Recovery measures how fast GDP levels are returning to pre-Covid-19 amounts.	Worldbank.org
Inflation Consumer Prices (Annual %)	Inflation, as measured by the consumer price index, reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly.	Worldbank.org
Imports of Goods & Services (% GDP)	Imports of goods and services as percent of GDP.	Worldbank.org
Global Competitiveness Index	Aggregation of 103 indicators that determine the level of productivity of a country, conditions of public institutions and technical conditions	Weforum.org
Government Expenditure on Education (% GDP)	General government expenditure on education is expressed as a percentage of GDP and is useful to compare education expenditure between countries in relation to the size of their economy.	Worldbank.org
Employment in Agriculture (% of total employment)	Employment in agriculture, which includes activities in agriculture, hunting, forestry and fishing as a percentage of total employment.	Worldbank.org
Unemployment (% of the total labour force)	Unemployment refers to the share of the labour force that is without work but available for and seeking employment.	Worldbank.org
Current Health Expenditure Per Capita (PPP)	Current expenditures on health per capita converted to international dollars using purchasing power parity rates.	Worldbank.org

TECH AND INNOVATION		
R&D Expenditure	Gross domestic expenditures on research and development. They include both capital and current expenditures in the four main sectors: Business enterprise, Government, Higher education and Private non-profit.	Worldbank.org
Patent Applications, residents	Patent applications filed through the Patent Cooperation Treaty procedure or with a national patent office for exclusive rights for an invention (product or process that provides a new way of doing something or offers a new technical solution to a problem)	Worldbank.org
INFRASTRUCTURE		
Logistics Performance Index	It reflects perceptions of a country's logistics based on the efficiency of the customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time. The index ranges from 1 to 5.	Worldbank.org
ENVIRONMENT		
Renewable Energy Consumption	Renewable energy consumption is the share of renewables energy in total final energy consumption.	Worldbank.org
INDUSTRY RELATED		
Organic Market Size- Packaged Food & Beverages (M euros)	Organic Market size including sales of organic packaged food and beverages in Million euros, using a fixed exchange rate	Passport, Euromonitor 2020
Organic Consumption Per Capita (€)	Organic Market size including sales of organic packaged food and beverages divided by total population (€ per capita)	Authors' calculations
Market Size- Beauty & Personal Care (M US dollars)	Market size of Beauty and Personal Care industry in US million dollars	Statista 2019
Organic Shares of Total Agriculture Land (%)	Percentage of total agricultural agriculture land that is managed under organic procedures (%)	Report Fibl & IFOAM 2020
Organic Producers per capita	Total number of organic producers divided by total populations	Report Fibl & IFOAM 2020
Organic Processors	Total number of organic processors	Report Fibl & IFOAM 2020
Certified Demeter operations- Number of Operators	Number of producers and processors certified by Demeter International	Demeter International
Imports of Soaps and Essential Oils (\$ M)	Total Imports of Soaps and Essential Oils in US Million dollars	ATLAS 2018
Total Agriculture Imported (\$ B)	Total of agricultural products and by-products imported in US billion dollars	ATLAS 2018

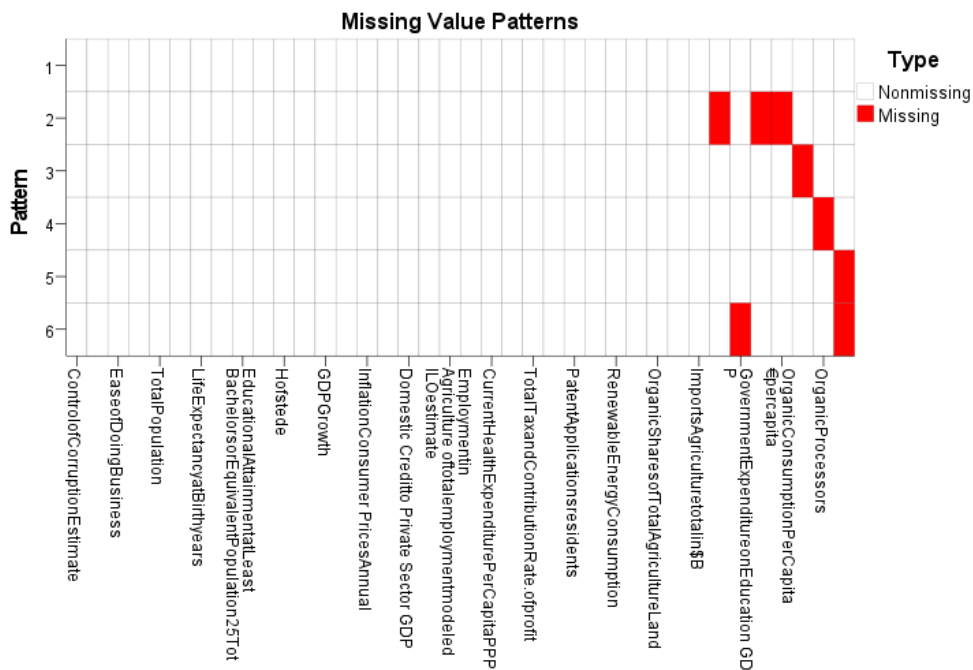
Exhibit 7: Missing Values Analysis

Variable Summary^{a,b}

	Missing		Valid N	Mean	Std. Deviation
	N	Percent			
Certified Demeter operations- number of operators	9	23.1%	30	240.77	534.108
Organic Processors	1	2.6%	38	2240.05	4664.757
Organic Producers/capita	1	2.6%	38	.0003225568	.0005281823
Organic Consumption Per Capita (€ per capita)	1	2.6%	38	24.74131015	32.30699736
Organic Market Size- Packaged Food & Beverages (M euros)	1	2.6%	38	1044.082	2902.6650
Government Expenditure on Education (% GDP)	1	2.6%	38	.04982	.013102
Global Peace Index	1	2.6%	38	1.63918	.336641

a. Maximum number of variables shown: 40

b. Minimum percentage of missing values for variable to be included: .0%



a. Little's MCAR test Chi-Square = 185.590, DF = 182, Sig. = .412

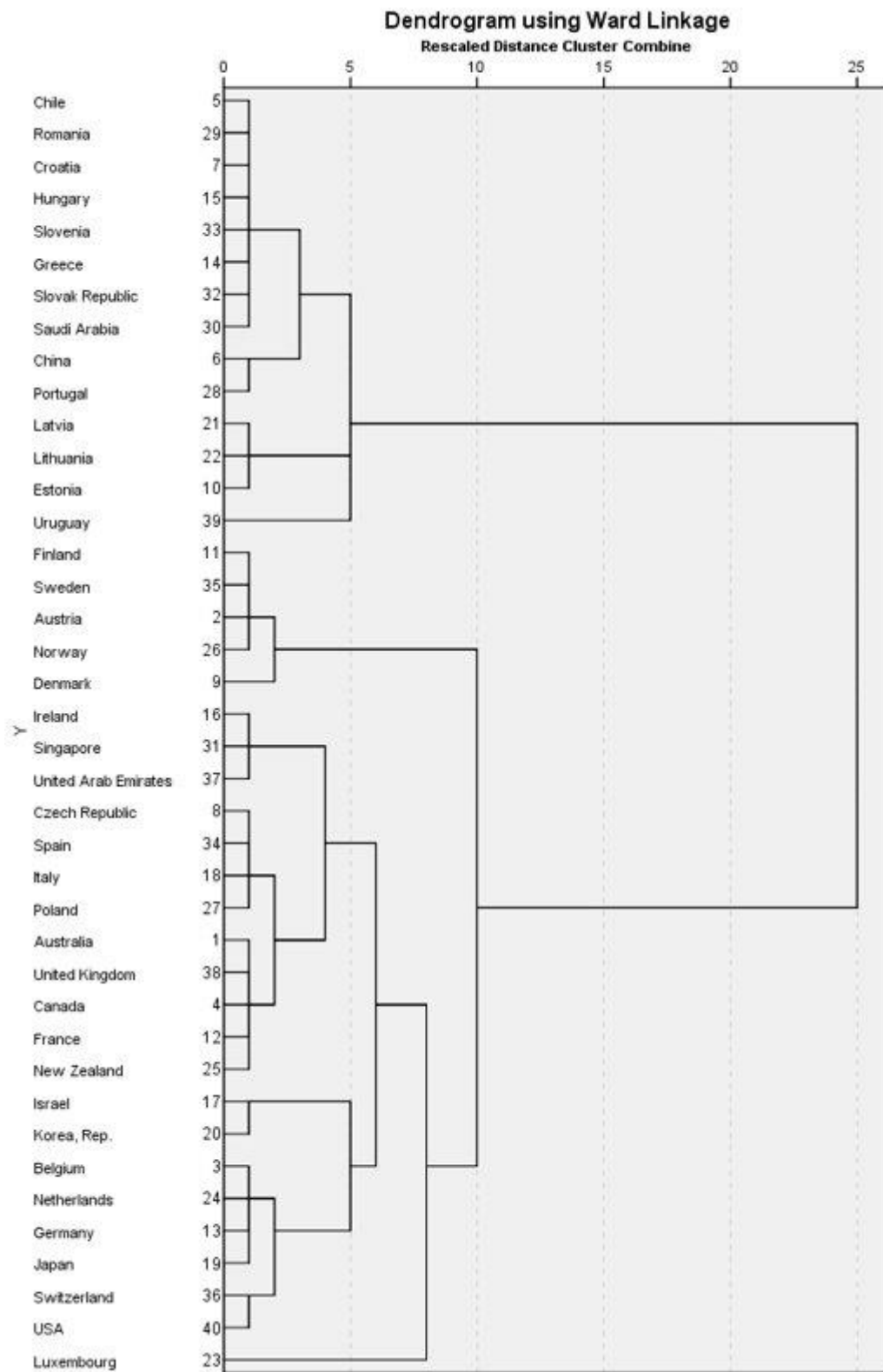
Source: Authors' computations using SPSS

Exhibit 8: Country Ranking

Rank	Country	Score	Rank	Country	Score
1	United States	47.93	21	Spain	30.21
2	Luxembourg	44.25	22	Italy	29.01
3	Denmark	41.15	23	Japan	28.07
4	Germany	41.02	24	Korean Republic	27.23
5	Sweden	38.60	25	Israel	26.69
6	Switzerland	36.61	26	China	26.17
7	France	36.42	27	Slovenia	25.66
8	Singapore	35.22	28	Lithuania	25.64
9	Norway	35.08	29	Czech Republic	25.08
10	Finland	34.62	30	Latvia	24.63
11	The Netherlands	34.17	31	Croatia	22.13
12	Austria	33.53	32	Greece	22.06
13	United Kingdom	32.99	33	Poland	21.97
14	Belgium	32.91	34	Chile	21.50
15	Canada	31.09	35	Hungary	20.99
16	Estonia	31.30	36	Saudi Arabia	19.54
17	Australia	21.24	37	Slovak Republic	18.77
18	New Zealand	30.96	38	Uruguay	18.01
19	United Arab Emirates	30.77	39	Romania	15.89
20	Ireland	30.71			

Source: Results based on authors' calculations using variables data

Exhibit 9: Dendrogram



Source: Authors' data analysis conducted under the SPSS program

Exhibit 10: Cluster Analysis Results

Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6	Cluster 7	Cluster 8	Cluster 9
Chile	Latvia	Uruguay	Finland	Ireland	Czech Republic	Israel	Belgium	Luxembourg
Romania	Lithuania		Sweden	Singapore	Spain	South Korea	Netherlands	
Croatia	Estonia		Austria	UAE	Italy		Germany	
Hungary			Norway		Poland		Japan	
Slovenia			Denmark		Australia		Switzerland	
Greece					UK		USA	
Slovakia					Canada			
Saudi Arabia					France			
China					New Zealand			
Portugal								

Source: Authors' results based on Exhibit 8

Exhibit 11: Business Model Canvas

Key partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
Service Providers Processors: Distributors Wholesalers Retailers Online Retailers	Farming	A brand that offers organic and premium breakfast and condiment options based on the prickly-pear fruit, a superfood.	Brand awareness Website and social media Discounts and campaigns (Christmas)	Consumers interested in organic and sustainable food products while concerned with their health and environmental problems. Additionally, they must value high-quality products and have high disposable incomes and WTP. French gourmet restaurants and hotels.
	Key Resources Land and infrastructures Range of by-products People with high managerial and creative skills Organic certification Organic know-how	Products of high quality and excellence that are sustainably produced. Newness and innovation- FiB will introduce by-products from prickly pear that currently do not exist in the French market.	Channels Communication Channels: - Website and Social Media Pages - Facebook and Google Ads - Email, LinkedIn and Telephone Sales Channels: - Wholesalers - Organic Specialised Stores Online Stores	
Cost Structure Production, labelling, distribution, certification, and packaging of by-products Marketing communication strategy Human resources: Existing personnel and new <u>employees</u> responsible for the expansion process		Revenue Streams Sale of prickly pear by-products and olive oil Christmas packs Agricultural tourism activities Experiences (workshops, corporate training, events, etc.)		

Source: Authors' understanding of FiB's expansion Business Model

Exhibit 12: Key Performance Indicators

Area	KPI	Description
Marketing	Customer Acquisition Cost	Approximation of the total cost of acquiring a new customer.
	Social Media Reach and engagement	Measure the audience growth rate (the speed at which the follower base grows), the post reach (how many people see the post since they go live) and the average engagement rate (the number of engagement actions, e.g., likes, shares, comment; a post receives relative to the total number of followers).
	ROI	Return on the marketing investment relative to its cost.
	Number of Website Visits (FR)	Total number of visits on the website during a period of time.
Sales	Sales Revenue Growth	Rate at which the business is able to increase revenues in France in a given period of time.
	Sales by region	Amount of sales reached in a given period of time per region.
	Sales by channel	Amount of sales reached in a given period of time per channel.
	Sales by product	Amount of sales reached in a given period of time per product.
Finance	Net profit	Gross profit excluding operating and other expenses, such as taxes and interest paid on debt.
	Net profit growth	The percentage of increase (or decrease) in net income from one period to the next.
	Operational margin	Amount of profit a firm makes from its core operations concerning the total revenue it brings.
Competitors' Performance	Prickly pear by-products in the market	Evaluation of prickly pear by-products offers in the French market.

Source: Authors' understanding

Exhibit 13: Competitive Landscape

Brand and Market Positioning	Product Offering, Features	Strengths	Weaknesses
<p>Carrefour Bio is an organic private label that is committed to offering quality products at an affordable price. It is positioned among all packaged food categories. (Founded in 1992)</p>	<p>Complete range of products with different flavours and sizes. Labelled with the AB logo, 80% made in France and free from palm oil. 80% of the packaging is recyclable.</p>	<p>The products are available in the Carrefour Stores, Carrefour Bio stores and online. Massive investment by Carrefour in increasing the trust and transparency of the brand. Very competitive prices, holding the greatest market share.</p>	<p>Not exclusive social media for the bio brand, less control on the supply side and the “less” sustainable brand.</p>
<p>Source: https://www.carrefour.fr/marques/carrefour-bio</p>			
<p>Jardin Bio is a French brand that offers organic, delicious, and innovative products for every meal of the day and available everywhere. (Founded 25 years ago)</p>	<p>A range of products that includes teas and infusion, grocery products, condiments, breakfast products, among others. Labelled with the AB logo and “regional producers” and “packaged in France” logos. Recyclable packaging.</p>	<p>Strong access to distribution channels and investments (Its owner is Léa Nature, a significant organic player) being translated into quality branded products at affordable prices. Positioned to be a reference in sustainability. Powerful website (recipes tab) and aesthetic Instagram page.</p>	<p>Due to its presence in supermarkets and hypermarkets faces direct competition from private labels with very competitive prices.</p>
<p>Source: https://www.jardinbio-etic.fr/</p>			
<p>Boneterre is a French brand that aims to offer the best of earth while respecting the planet. It was one of the pioneers in the organic packaged food, and it is sold exclusively in bio stores. (Founded in 1973.)</p>	<p>Its offerings include vegetable drinks, bread, spreads, groceries, among others. They are gourmet, healthy and very tasty. Labelled with the AB logo and “en magasin bio” logo that stands for brands exclusively available in this kind of channel.</p>	<p>It benefits from the financial resources and know-how of a big agri-food company (Bjorg Bonneterre & Cie). A very informative, appealing website and the Instagram page (availability of recipes on the website). Greater market share than the private labels sold exclusively in bio stores.</p>	<p>Unattractive products packaging and a lack of availability to buy them online.</p>
<p>Source: https://www.bonneterre.fr/</p>			
Specialised brands- spreads and condiment			
<p>Lune de Miel is a specialised French honey brand that sells the best honey collected from the most beautiful areas of France and the world. It is strongly committed to an eco-responsible approach. (Founded 100 years ago.)</p>	<p>A very diverse range of honey (different packaging, size, and flavours). 100% pure and natural honey and 100% recyclable packaging. Labelled with the AB logo.</p>	<p>The organic honey brand with the highest market share present in the biggest French retailers. It guarantees that honey production happens in areas protected from any pollution. A very informative and appealing website (recipes). It has created the Honeymoon Foundation that confirms its positioning on protecting biodiversity.</p>	<p>Poor Social Media engagement.</p>
<p>Source: https://lunedemiel.fr/</p>			

<p>Rigoni di Asiago is an Italian company “that works with high-quality organic ingredients to offer products that are good for people and fair for the environment”. It owns several brands within the spread’s and sweetener’s categories.</p> <p>(Founded in 1923)</p>	<p>Fior di Frutta, the brand of the group that offers one of the most known organic jams in France and that is made exclusively with organic fruit, with 26 different flavours. Labelled with the AB logo and the vegan logo.</p>	<p>Although it is an Italian company, it has a French branch as so it can control the market on its own. A portfolio of brands that is diversifiable and that tries to follow food trends. (Nocciolata) It has a strong position in the French market, namely the brand Fior di Frutta and it processes its own raw materials. Finally, it holds seven different certifications (e.g. vegan certification).</p>	<p>Its social media is not the most appealing one. It is not a local company, although it is clearly recognised by its quality.</p>
<p>Source: https://www.rigonidiassiago.com/</p>			
<p>Emile Noël is a specialised French olive oil brand that also sells vinegar and other condiments. It positions itself as a healthy and more premium brand that it is placed exclusively in organic distribution channels. (Founded 100 years ago)</p>	<p>It offers organic oils, vinegar, sauces and mustards, food supplements, and it also has a range of organic cosmetics. It offers olive oil from different countries (Greece, Italy, Spain and Portugal), products with different flavours and sizes. Labelled with the AB logo and with the BIOPARTENAIRE logo.</p>	<p>It was the first oil mill in France to produce organically, accumulating knowledge since then. It was also the French pioneer of Fair Trade and every year gives rise to different sustainability activities around the world. It is also committed to the BIOPARTENAIRE association.¹³ It has developed an in-house laboratory to monitor the quality of the products.</p>	<p>Poor Social Media Engagement, although it presents appealing content on them.</p>
<p>Source: https://www.emilenoel.com/en/home-2/</p>			
<p>Quintesens is a specialised French brand in condiments like vinegar, sauces and oils that are organic, healthy and tasty. By taking this approach, it is committed to promoting “better nutrition while respecting people and the planet”. The brand is exclusively sold in specialist stores, being a very premium brand. (Founded in 2007)</p>	<p>Products have a minimum percentage of sugar and salt. Produced from raw and organic materials, being at the same time gourmet and tasty. 100% of the brand products are designed, packaged, and manufactured in France. Labelled with the AB logo and “conocté en France”.</p>	<p>It has a team of health experts that help the company to design the products to be healthy and not only organic. Since all ingredients come from France, they can trace better the quality of the products. They designed the products such that they could target all ages within a family. Good content on social media and many followers.</p>	<p>It is a much younger company when compared to the other, having access to fewer resources</p>
<p>Source: https://www.quintesens-bio.com/</p>			

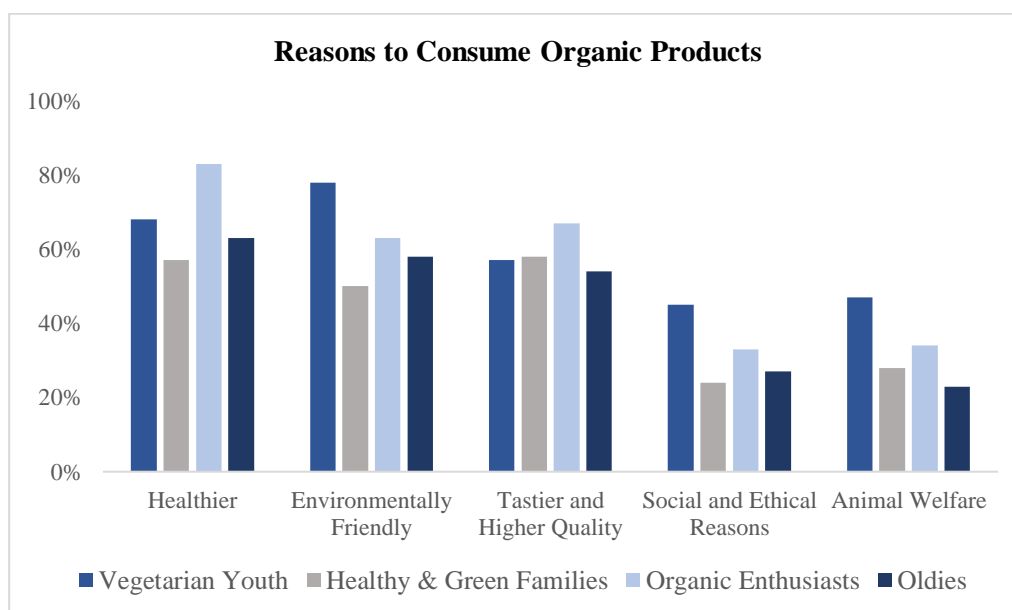
¹³ The BIOPARTENAIRE label provides a guaranty to the consumer that the company is committed to comply with organic regulations, fair-trade, boosting the local economy, social and environmentally policies, among others.

Exhibit 14: Price Benchmarking

Brands/ Main Products Range €	Olive Oil	Vinegar	Jams	Honey
Carrefour Bio	6,4 € / L	3,36 € / L	Raspberry- 6,44 € /Kg Strawberry- 4,56€ /Kg	10,5€/ Kg
Jardin Bio	11,97 € / L	7,25 € / L	Raspberry- 13,1€/Kg Strawberry- 12,5€/Kg	17,1€/ Kg
Bonneterre	15,16 € / L	n.a.	Strawberry- 12,6€/Kg 15,23€/Kg	20,98€/ Kg
Lune de Miel	-	-	-	Honey and royal jelly- 24,40 € / Kg
Rigoni di Asiago	-	-	Strawberry P13,45 € / Kg	12,40 € / Kg
Emile Noel	17,40 € / L (500 ml)	n.a.	-	-
Quintesens	19 € / L (500 ml)	15,83 € / L (360 ml)	-	-
FiB	20 € / L	16 € / L	Prickly pear- 20€/ Kg	16 € / Kg

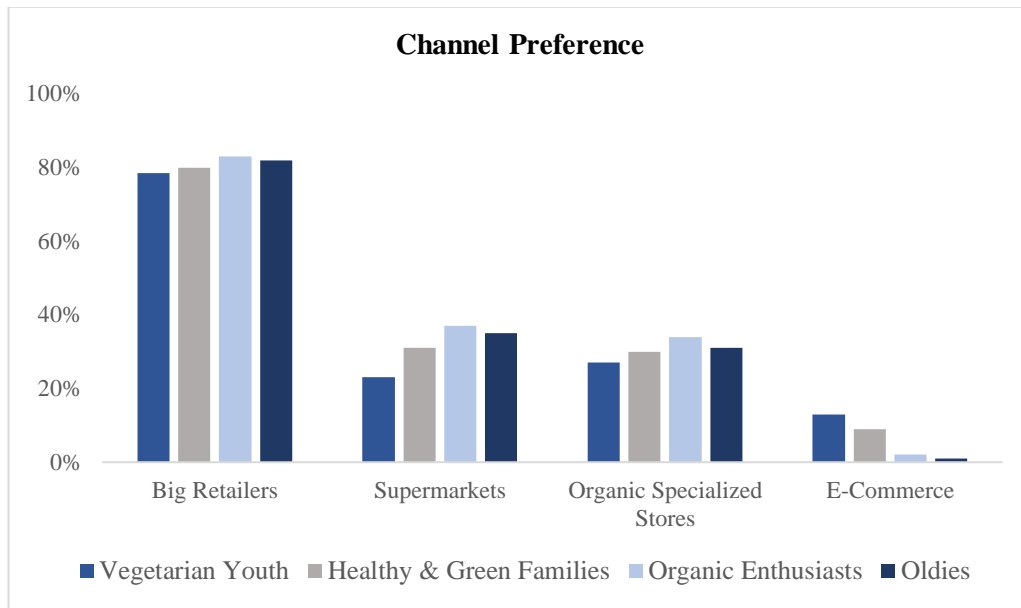
Source: Prices were retrieved from kazidomi.com, greenweez.com, naturalia.fr and sources in exhibit 15

Exhibit 15: Main reasons to consume organic products per segment



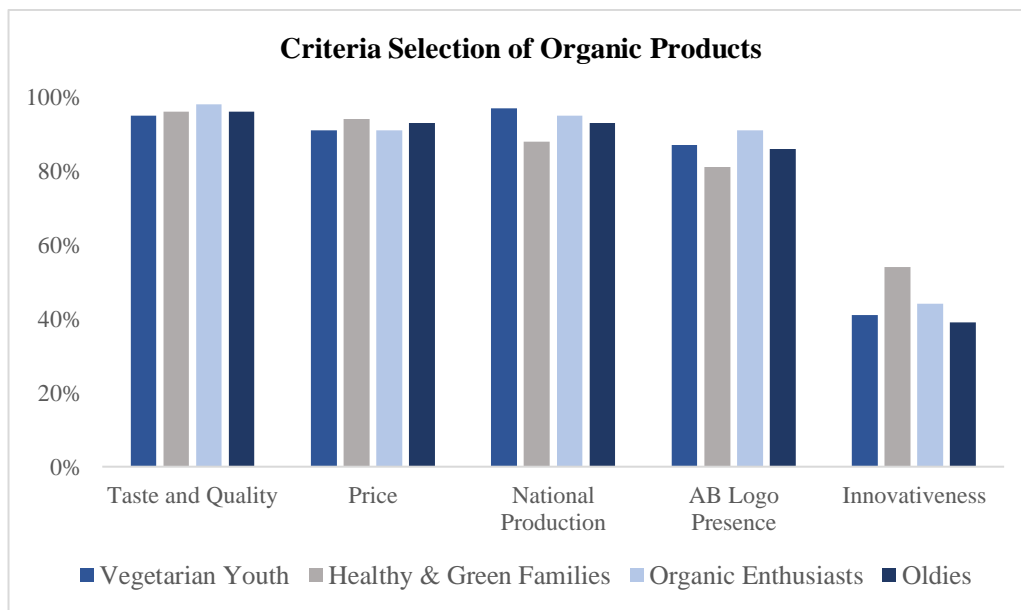
Source: Agence Bio (2018, 2019)

Exhibit 16: Main channels per segment



Source: Agence Bio (2018, 2019)

Exhibit 17: Main criteria selection of organic products per segment



Source: Agence Bio (2018, 2019)

Exhibit 18: Analysis of the main wholesalers, organic retail chains and online stores in the French market

Wholesalers	
Accent Bio	<p>Size: 950 points of sale in France, including the three target cities; SME with 13 employees in 2012. Mission/Philosophy: Exclusive distribution of organic brands, both food and non-food (+50). Competition: International representation and distribution of 6 exclusive brands. Presence of strong brands with FiB's products¹⁴. Prickly Pear by-products: No Prices: High Contact: e-mail@accent-bio.fr Source: https://www.accent-bio.fr/</p>
Aventure Bio	<p>Size: Distribution to 650 organic and bulk stores Mission/Philosophy: Launched to ease the differentiation of organic stores, through committed and innovative brands (+120), assuring a fast and smooth delivery process. Competition: Focused on young and innovative brands, with important but few brands with FiB's products. Possibility of buying in bulk. Prickly Pear by-products: No Prices: High Contact: LinkedIn; Phone: 06 98 55 81 32 Source: https://www.aventure.bio/</p>
Miguel Sarl	<p>Size: Based in Paris, supplies Intermarché, Casino Group, Supermarché Mission/Philosophy: Starting as a family business provides transport, logistics and distribution services exclusively on Portuguese food products, based on trust and responsibility, whose principles rely on the quality, safety and environment. Competition: n.a. Prickly Pear by-products: n.a. Prices: n.a. Contact: Phone: +33-467632207 Source: https://www.dnb.com/business-directory/company-profiles/miguel_sarl.76dea29e22981d12947ca3c7ed5105f0.html</p>
Organic Retail Chains	
Naturalia	<p>Size: More than 145 stores; Online store Mission/Philosophy: A pioneer in the distribution of organic products in France, Naturalia aims to create a link between producers, processors and consumers and to offer the best of organic products to their urban, demanding and citizen customers. They favour French products and prohibit all the products from heated greenhouses and transported by plane. All the products are tested before selected. Relevant Info: The website offers a 'News' section with recipes, labels and producers' information, etc.; Updated Instagram webpage (145k followers); Newsletter. Competition: Naturalia holds its own private label. Large number of brands and packaging sizes for all FiB's portfolio of products. Prickly Pear by-products: No Prices: Large range of prices Contact: LinkedIn Source: https://www.naturalia.fr/</p>
L'Eau Vive	<p>Size: 70 stores Mission/Philosophy: The company aims to select the higher quality products at fair prices from certified channels to their customers while supporting local producers and processors. Relevant Info: Blog and Recipes section in the company website; Updated Instagram webpage (8k followers) Competition: In general offer three main brands for FiB's products. Prickly Pear by-products: No (only the fruit) Prices: Large range of prices (lower and higher than FiB's products final prices). Contact: LinkedIn Source: https://www.eau-vive.com/magasin-bio/</p>

¹⁴ Le Voyage de Mamabé, La Cigale Provençale and Bio Planete for condiments and L'Abeille Royale and Bona Mel of honey.

Biocoop	<p>Size: 70 stores</p> <p>Mission/Philosophy: Common goal: the development of organic farming in a spirit of fairness and cooperation. A leader in organic food distribution, Biocoop is also known for its fair-trade products and a vast choice of eco-products and cosmetics.</p> <p>Competition: Holds their own private label; Holds several brands.</p> <p>Prickly Pear by-products: No</p> <p>Prices: "La Bio Je Peux", a selection of products at reduced prices.</p> <p>Contact: LinkedIn</p>
	<p>Source: https://www.biocoop.fr/</p>
Bio C'on	<p>Size: 120 stores</p> <p>Mission/Philosophy: Their mission is to prove to consumers that organic is accessible to all. Offers quality products grown or manufactured according to principles respectful of man and the environment.</p> <p>Competition: n.a.</p> <p>Prickly Pear by-products: No Prices: n.a.</p> <p>Contact: LinkedIn</p>
	<p>Source: https://bio-c-bon.eu/fr</p>
La Vie Claire	<p>Size: A network of 360 stores and one of the leaders of the French Market; Online store</p> <p>Mission/Philosophy: A pioneer in the distribution of organic products in France that believes its employees are essential for the success of the organic art of living.</p> <p>Relevant Info: A newsletter with weekly menus.</p> <p>Competition: Lack of manufacturer brands on the website. Depending on the perspective, it might be an opportunity.</p> <p>Prickly Pear by-products: Only cosmetics</p> <p>Prices: High prices even for their private label</p> <p>Contact: LinkedIn</p>
	<p>Source: https://www.lavieclaire.com/</p>
Biomonde	<p>Size: 200 stores</p> <p>Mission/Philosophy: United in a cooperative that defends the local organic commerce, organic values, while respecting everyone's identity and fair prices. However, great importance given to local prices.</p> <p>Competition: Accent Bio is one of its partners, Emile Noel. Important brands of olive oil.</p> <p>Prickly Pear by-products: No Prices: High</p> <p>Contact: administration@biomonde.fr</p>
	<p>Source: https://www.biomonde.fr/</p>
The New Robinsons	<p>Size: 20 stores in Paris</p> <p>Mission/Philosophy: Unites in a cooperative that favours supplier that are small producers and processors, offering them better terms of payment.</p> <p>Competition: n.a.</p> <p>Prickly Pear by-products: n.a. Prices: High</p> <p>Contact: LinkedIn</p>
	<p>Source: https://lesnouveauxrobinson.coop/</p>
Organic Online Stores	
Kazidomi	<p>Mission/Philosophy: E-commerce platform that aims to provide organic and healthy products to consumers at affordable prices, by avoiding many intermediaries in the value chain and working directly with producers.</p> <p>Competition: Wide range of international brands present in the platform.</p> <p>Prickly Pear by-products: No Prices: High</p> <p>Contact: The contact for brands is made through a form on the website (kazidomi.com).</p>
	<p>Source: https://www.kazidomi.com/fr/</p>
Aurore Market	<p>Mission/Philosophy: French e-commerce platform aiming to connect producers and consumers, allowing to offer organic products at affordable prices.</p> <p>Competition: Wide range of brands present in the platform, with the predominance of French origin products.</p> <p>Prickly Pear by-products: No Prices: High</p> <p>Contact: LinkedIn</p>
	<p>Source: https://auroremarket.fr/</p>

Exhibit 19: Six M's Framework for the Native Marketing and Facebook Ads Campaign

Mission	Create brand awareness by displaying its differentiating factors
Market	Healthy & Green Families and Organic Enthusiasts
Message	<i>"Sustainability allied with well-being. Experience the finest organic pure products produced with prickly pear, a superfood with antiviral and anti-inflammatory properties."</i>
Media	Paid Media: Native Advertising and Facebook Ads
Money¹⁵	20% of the Marketing Budget in the 1st two years and 20% in 2025
Measurement	Number of Impressions; Click-Through Rate; Conversion Rate; Bounce Rate

Exhibit 20: Six M's Framework for the Influencer Marketing Campaign

Mission	Increase brand visibility by engaging and interacting with potential customers
Market	Women – Healthy and Green Families
Message	<i>"Discover the most premium organic products which combine a singular flavour with health benefits associated with the prickly pear fruit, and environmentally friendly production."</i>
Media	Paid Media: Influencer Marketing
Money	30% of the Marketing Budget in the 1 st two years and 30% spread throughout 2023, 2024 and 2025
Measurement	Audience Reached; Clicks and Interactions; New Likes/Followers; New Website Visitors

Exhibit 21: Six M's Framework for the Google Search Ads Campaign

Mission	Attract and acquire new customers
Market	Healthy & Green Families and Organic Enthusiasts
Message	<i>"Discover high-quality organic products made of prickly pear, a very sustainable and tasty superfood."</i>
Media	SEM (Google Search Ads)
Money	15% of the Marketing Budget every year of the project
Measurement	CTR, Impressions, New Visitors to the website

Exhibit 22: Keywords and Ads for the Google Search Ads Campaign

Segment	Keywords		Ads
Healthy and Green Families	Certified organic products; High-quality organic food; Organic farming; Antioxidant food; Healthy organic food.	Prickly pear Olive oil bio Vinegar bio Honey bio Jam bio	FiB offers the finest organic products, with taste and high-quality. Experience it!
Organic Enthusiasts			Innovative and tasty products with antioxidant properties. Organic never felt so good!

Source: Authors' understanding

Exhibit 23: Six M's Framework for the Content Marketing Campaign

Mission	Develop a relationship with actual and prospective consumers
Market	Healthy & Green Families and Organic Enthusiasts
Message	<i>"You are what you eat. So, choose organic, high-quality and sustainable food products."</i>
Media	Owned Media: Content Marketing (website and social media networks)
Money	20% of the Marketing Budget for all years of the project
Measurement	Likes, Comments, Shares and Mentions; Nr Followers; Traffic to Website

¹⁵ The marketing budget refers to the values estimated in the following Financial Plan section

Exhibit 24: Six M's Framework for the Christmas Campaign

Mission	Boost sales and create brand awareness on special seasons
Market	Healthy & Green Families and Organic Enthusiasts
Message	"This Christmas offer the finest pure organic products."
Media	Content Marketing; Influencer Marketing; Facebook Ads
Money	15% to 20% of the annual Marketing Budgeted, happening all years for the Christmas season
Measurement	Likes, Comments, Shares and Mentions; Nr Followers; Traffic to Website

FINANCIALFORECAST

Exhibit 25: S&P 500 and Market Risk Premium

Date	Price	Monthly Returns			Excess Monthly Returns
	S&P 500*	T-Bills (%)	T-Bills 1-month	S&P 500	
Oct-15	2079,36				
Nov-15	2080,41	100,17%	167,00%	100,05%	99,88%
Dec-15	2043,94	100,17%	170,00%	98,25%	98,08%
Jan-16	1940,24	100,15%	152,00%	94,93%	94,77%
Feb-16	1932,23	100,12%	122,00%	99,59%	99,47%
Mar-16	2059,74	100,14%	138,00%	106,60%	106,46%
Apr-16	2065,30	100,13%	126,00%	100,27%	100,14%
May-16	2096,95	100,13%	130,00%	101,53%	101,40%
Jun-16	2098,86	100,12%	117,00%	100,09%	99,97%
Jul-16	2173,60	100,11%	107,00%	103,56%	103,45%
Aug-16	2170,95	100,11%	113,00%	99,88%	99,77%
Sep-16	2168,27	100,12%	118,00%	99,88%	99,76%
Oct-16	2126,15	100,13%	127,00%	98,06%	97,93%
Nov-16	2198,81	100,16%	160,00%	103,42%	103,26%
Dec-16	2238,83	100,20%	196,00%	101,82%	101,62%
Jan-17	2278,87	100,19%	192,00%	101,79%	101,60%
Feb-17	2363,64	100,19%	190,00%	103,72%	103,53%
Mar-17	2362,72	100,20%	201,00%	99,96%	99,76%
Apr-17	2384,20	100,18%	182,00%	100,91%	100,73%
May-17	2411,80	100,18%	184,00%	101,16%	100,97%
Jun-17	2423,41	100,18%	177,00%	100,48%	100,30%
Jul-17	2470,30	100,19%	187,00%	101,93%	101,75%
Aug-17	2471,65	100,18%	178,00%	100,05%	99,88%
Sep-17	2519,36	100,18%	180,00%	101,93%	101,75%
Oct-17	2575,26	100,20%	198,00%	102,22%	102,02%
Nov-17	2584,84	100,21%	205,00%	100,37%	100,17%
Dec-17	2673,61	100,22%	218,00%	103,43%	103,22%
Jan-18	2823,81	100,24%	238,00%	105,62%	105,38%
Feb-18	2713,83	100,26%	260,00%	96,11%	95,85%
Mar-18	2640,87	100,26%	263,00%	97,31%	97,05%
Apr-18	2648,05	100,27%	270,00%	100,27%	100,00%
May-18	2705,27	100,28%	282,00%	102,16%	101,88%
Jun-18	2718,37	100,28%	278,00%	100,48%	100,21%
Jul-18	2816,29	100,28%	278,00%	103,60%	103,32%
Aug-18	2901,52	100,28%	277,00%	103,03%	102,75%
Sep-18	2913,98	100,29%	289,00%	100,43%	100,14%
Oct-18	2711,74	100,30%	300,00%	93,06%	92,76%
Nov-18	2760,17	100,30%	295,00%	101,79%	101,49%
Dec-18	2506,85	100,27%	268,00%	90,82%	90,55%
Jan-19	2704,10	100,25%	254,00%	107,87%	107,61%

Feb-19	2784,49	100,25%	249,00%	102,97%	102,72%
Mar-19	2834,40	100,24%	237,00%	101,79%	101,56%
Apr-19	2945,83	100,23%	233,00%	103,93%	103,70%
May-19	2752,06	100,22%	219,00%	93,42%	93,20%
Jun-19	2941,76	100,18%	183,00%	106,89%	106,71%
Jul-19	2980,38	100,18%	183,00%	101,31%	101,13%
Aug-19	2926,46	100,15%	149,00%	98,19%	98,04%
Sep-19	2976,74	100,16%	157,00%	101,72%	101,56%
Oct-19	3037,56	100,15%	153,00%	102,04%	101,89%
Nov-19	3140,98	100,16%	164,00%	103,40%	103,24%
Dec-19	3230,78	100,17%	168,00%	102,86%	102,69%
Jan-20	3225,52	100,16%	156,00%	99,84%	99,68%
Feb-20	2954,22	100,13%	132,00%	91,59%	91,46%
Mar-20	2584,59	100,06%	59,00%	87,49%	87,43%
Apr-20	2912,43	100,04%	39,00%	112,68%	112,65%
May-20	3044,31	100,03%	34,00%	104,53%	104,49%
Jun-20	3100,29	100,03%	34,00%	101,84%	101,80%
Jul-20	3271,12	100,03%	28,00%	105,51%	105,48%
Aug-20	3500,31	100,03%	27,00%	107,01%	106,98%
Sep-20	3363,00	100,03%	27,00%	96,08%	96,05%

Source: Fred Economic Data and Yahoo Finance

	Risk-Free Rate	S&P 500	Market Risk Premium
Monthly Average (geometric mean)	1,18%	1,82%	1,64%
Annualized Monthly Average	2,14%	10,27%	7,97%

Source: Author calculations

Exhibit 26: The company Beta

To compute the company **Beta**, a proxy method was used since FiB is a private company. This method consisted of choosing five different companies, all of them belonging to the agri-food sector, the industry where FiB is inserted in. Although these companies are much bigger than FiB, being this an explicit limitation of this method, this limitation was minimised by choosing a diverse set of companies that could represent as accurately as possible the market risk. Some of the selected companies were: **Nestlé**, one of the biggest agri-food companies in the World, which is investing a lot on the organic product line; **ConAgra Foods**, an American agri-food group with several organic brands; **Danone**, the biggest food company in France and already one of the most influential brands in the production of organic dairy products that was brought to the equation to represent the French Market; and finally, **Auga Group** was chosen to illustrate the organic industry, being one of the biggest organic agri-food companies in the

World. After selecting the enterprises, it was gathered secondary data on these companies' betas. Since these betas are levered, and the author wanted to isolate the impact of debt on each of these company's volatility compared to the market volatility, the betas were unlevered with the use of the following equation:

$$\beta_{unlevered} = \frac{\beta_{levered}}{(1 + (1 - Tax) * \frac{D}{E})}$$

Note that the tax rate used was an average of the effective tax rate of the last five years and the debt-to-equity ratio the average of the last years. This was taken into account given that the secondary data available for the betas was the average of the last five years.

	Beta (5Y)	D/E ratio	Effective Tax Rate	Unlevered Beta
Nestlé SA	0,74	1,294	21,6%	0,37
ConAgra Foods, Inc	0,83	1,902	28%	0,35
Kraft Heinz Company	1,00	0,998	27%	0,58
Danone	0,53	1,826	28%	0,23
Auga Group	0,77	0,70	2,5%	0,46

Source: Yahoo Finance, Macrotrends and Companies' Reports

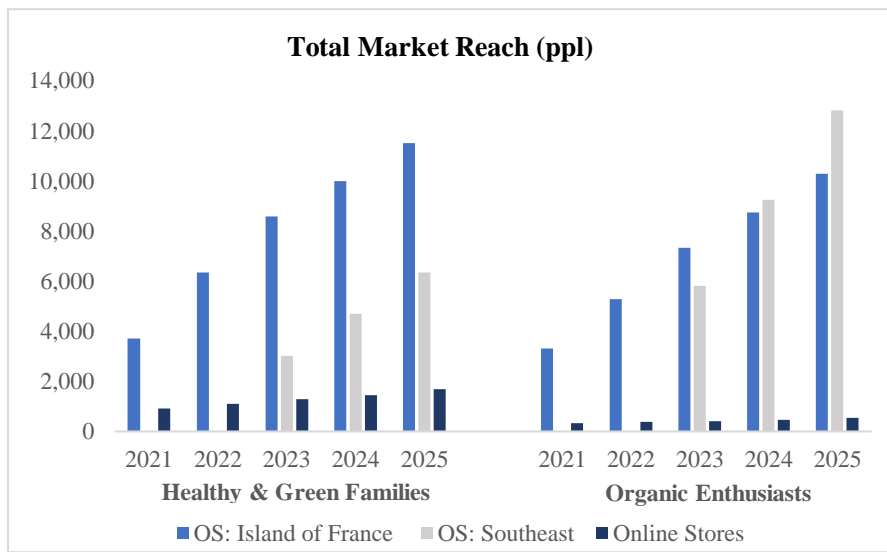
Exhibit 27: CAPM Model

In a normal situation, if the company were to use debt in the financing of the project, one should account for this in the estimation of the company beta. As this is not the case, the average beta found in the previous exhibit (0,40) could directly be applied to calculate the cost of equity through the CAPM model: $r = r_f + \beta(r_m - r_f)$.

Risk-Free Rate	2,14 %
Market Risk Premium	7,97%
β	0,4
E (Re)	5,30%

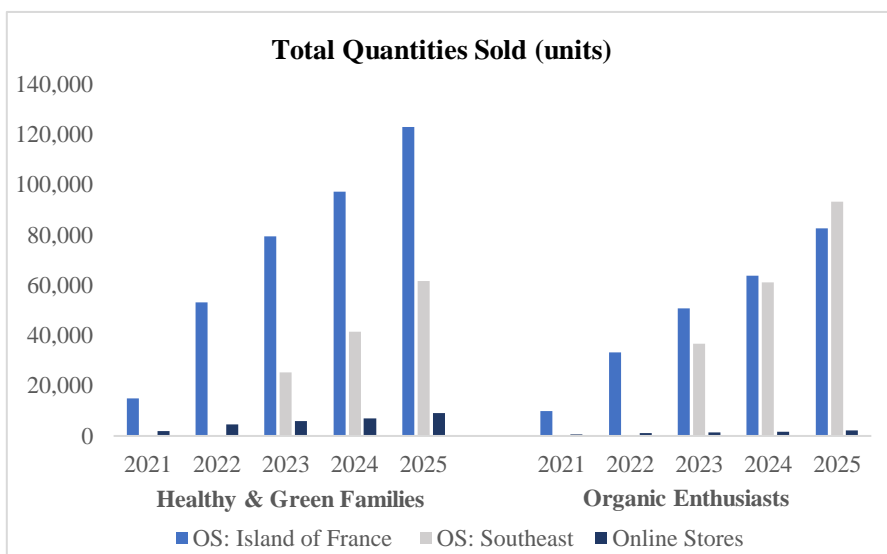
Source: Author calculations

Exhibit 28: Total Market Reach (ppl)



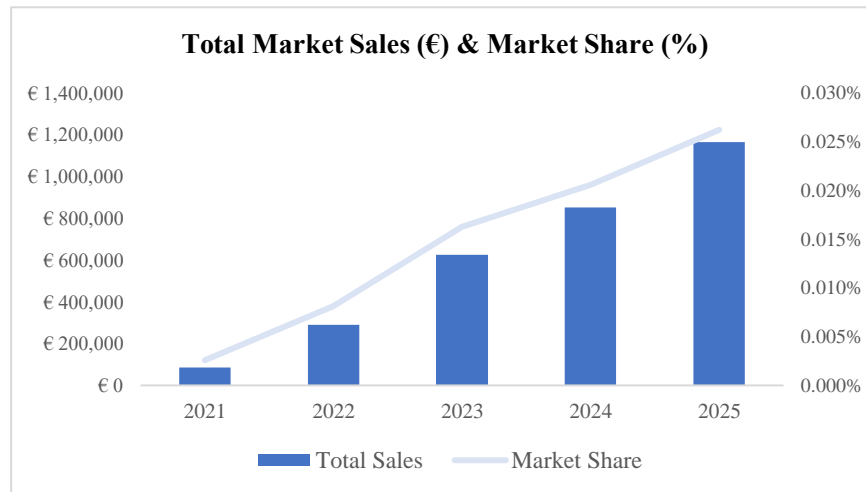
Source: Author's calculations and estimations

Exhibit 29: Total Quantities Sold (units)



Source: Author's calculations and estimations

Exhibit 30: Total Market Sales (€) and Market Share (%) of the 5-year Analysis



Source: Author's calculations and estimations

Exhibit 31: Revenues Forecast

The segment size was forecasted considering a constant distribution of consumers within each segment and the market size calculated previously in the *French In-depth Analysis*. Two main channels were selected, the **Organic Specialized Stores** and the **Online Stores**, and the total number of **consumers per channel** was estimated. Big retailers are leading among organic consumers, and sustained growth in sales is expected to continue in the future, creating a steady slowdown in specialist retailers' sales (Senet 2020). Therefore, a drop of 4,3% and 2% in the percentage of specialized stores' customers was assumed during the 2021-2025 period for the HGF and OE segments, respectively. Concerning e-commerce, the organic online market would have an essential role in the forthcoming years (Senet 2020). The sales growth trend observed during the first months of the Covid-19 pandemic is expected to persist, thus, for the five years, the percentage of online store consumers is expected to increase by 2,9% per year for the HGF group and 5% for the OE segment.

Consumers per channel (%)	2021	2022	2023	2024	2025
HGF Segment					
Organic Stores	27,5%	26,3%	25,1%	24,0%	23,0%
<i>Growth Rate</i>	95,7%	95,7%	95,7%	95,7%	95,7%
Online Stores	13,4%	13,8%	14,2%	14,6%	15,0%
<i>Growth Rate</i>	2,9%	2,9%	2,9%	2,9%	2,9%
OE Segment					
Organic Stores	32,6%	31,9%	31,3%	30,6%	30,0%
<i>Growth Rate</i>	97,9%	97,9%	97,9%	97,9%	97,9%
Online Stores	13,4%	13,8%	14,2%	14,6%	15,0%
<i>Growth Rate</i>	5,2%	5,2%	5,2%	5,2%	5,2%

Source: Author's calculations and estimations

According to Agence Bio, 25% of the HGF segment lives in the Island of France, while 18% reside in the Southeast of France (Agence Bio 2018). Concerning OE consumers, 16% reside in the Island of France and 26% in the Southeast region. These proportions were assumed to be constant during the five-year analysis. Having said this, it was essential to estimate the number of organic specialized stores in the two distinct areas to reach the **total market potential per store** and region. In 2018, the total number of organic specialized stores in the country equalled 2 923, comprising 524 in the Island of France (Agence Bio 2019). Due to lack of information, it was assumed the organic stores are equally distributed throughout the French countryside, except for the Island of France's, whose total number of stores was identified. Therefore, this quantity, as well as the area of this region, was disregarded. Given this, in 2018, the number of organic specialized stores in the Southeast equalled 683. The number of organic stores is increasing across the years with several shops' openings throughout the country (Agence Bio 2019). However, the growth rate of this channel is rising at a slower pace in the last years. Between 2019 and 2025, the annual growth rate is expected to decrease 50% from year to year, following the trend of the previous three periods (Agence Bio 2019). Lastly, the market potential of each store was derived from the division of the market potential of each region by the total number of stores.

Total Number of Organic Specialized Stores (stores)	2021	2022	2023	2024	2025
Island of France	557	559	560	560	560
<i>Growth Rate</i>	0,9%	0,4%	0,2%	0,0%	0,0%
Southeast	701	704	706	706	706
<i>Growth Rate</i>	0,9%	0,4%	0,2%	0,0%	0,0%

Source: Author's calculations and estimations

After outlining the market potential of each channel, the **market penetration rate** was projected for the five years under analysis. Different reasonings were applied for the different segments bearing in mind their main characteristics and preferences. Considering the **HGF** segment, an 8% penetration rate for the organic stores in the Island of France region in 2021 was forecasted. In 2022, the company is already settled in the French market, and the marketing campaigns are expected to yield positive results, thus increasing the number of consumers reached. Therefore, the growth rate estimated for this period, 15%, is slightly higher comparing with the remaining periods. Between 2023 and 2025, two different growth rates were forecasted: 10% when a new product is introduced in the market, in 2023 and 2025, as new customers might be captured, and 5% in 2024.

Concerning the Southeast region, the market penetration rate in the first year was estimated to be equal to the percentage assessed for the second year in the Island of France. For the 2024-2025 period, the reasoning stated previously was employed. Finally, evaluating the e-commerce channel's penetration rate, the author estimated it would be equal to 0,05% in the first year. Once again, the rationale applied for the organic specialized stores was used to project the percentage of the market reach over the years.

Considering the **OE** segment, the forecasted method employed in the previous segment was applied, except for both channels' penetration rate in 2021 and the growth rate used in 2022. First, it was considered FiB can reach a larger percentage of consumers within this group, 10% for organic stores and 0,07% for online stores, since this is the segment where consumption of

FiB products is the largest. Second, the digital marketing campaigns developed might drive smaller outcomes since the share of social network users among the ages of this segment is considerably lower (Statista 2019). Therefore, in 2022, it was projected a 5% growth rate, the same used when no novel product is launched in the French market.

Market Penetration Rate (%)	2021	2022	2023	2024	2025
HGF Segment					
OS – Island of France	8,0%	9,2%	10,1%	10,6%	11,7%
<i>Growth Rate</i>		15%	10%	5%	10%
OS – Southeast	-	-	9,2%	9,7%	10,6%
<i>Growth Rate</i>				5%	10%
Online Stores	0,05%	0,06%	0,06%	0,07%	0,07%
<i>Growth Rate</i>		15%	10%	5%	10%
OE Segment					
OS – Island of France	10,0%	10,5%	11,6%	12,1%	13,3%
<i>Growth Rate</i>		5%	10%	5%	10%
OS – Southeast	-	-	10,5%	11,0%	12,1%
<i>Growth Rate</i>				5%	10%
Online Stores	0,07%	0,07%	0,07%	0,08%	0,08%
<i>Growth Rate</i>		5%	10%	5%	10%

Source: Author's calculations and estimations

Having assessed the market penetration rate, it is critical to forecast the **number of organic specialized stores** where FiB is going to be present in the different regions in the five years. For the first year, it was assumed the company's products would be available in 5% of the total number of stores in both regions. Therefore, FiB would be present in 28 stores in 2021 in the Island of France, and in the Southeast, in 2023, it would have reached 35 stores. For 2022 in the Island of France and 2024 in the Southeast, a 50% increase in the number of specialized stores reached was estimated. From these years onwards, the annual growth rate was predicted to decrease by half over the years.

Number of Organic Specialized Stores Reached (stores)	2021	2022	2023	2024	2025
Island of France	28	42	52	59	62
<i>Growth Rate</i>		50,0%	25,0%	12,5%	6,3%
Southeast	-	-	35	53	66
<i>Growth Rate</i>				50,0%	25,0%

Source: Author's calculations and estimations

All in all, having computed the market potential, the penetration rate, and the number of organic stores reached, the **total market reach** was measured. Regarding organic specialized retailers' channel, the total market reach was computed through the product of the market potential per organic store by the market penetration rate and the number of stores. Concerning the e-commerce channel, the multiplication outcome of the market potential by the market penetration rate is the total market reach through online stores.

	2021	2022	2023	2024	2025
Total Market Reach (ppl)	8 285	13 114	26 477	34 607	43 204
HGF Segment	4 632	7 451	12 911	16 143	19 538
OE Segment	3 653	5 663	13 565	18 464	23 666

Source: Author's calculations and estimations

The step further includes total sales computation. For this, two variables were necessary: quantity sold and price. Regarding the first one, the **quantity sold** per customer was required. Before all, in order to attain this value, it was assumed a general average of all FiB's products sold (therefore, not specifying how much of each product is sold). Also, such values were thought as the quantities FiB's partners believe they are able to sell for final consumers.

With this said, the same rationale was employed when computing quantities sold for both segments. Before all, it is essential to note that by 2021, FiB will operate only half a year. Henceforward, by 2022, in both segments, and for both online and organic stores, the average quantities sold was assumed to double, when comparing with the previous year. Moreover, a growth rate of 10% was applied in years where a new product is launched, while a rate of 5% was assumed for years with no new product.

In the Island of France region, by 2021, **HGF** is believed to consume, on average, four products whilst **OE** are expected to buy only three – families have slightly higher products consumed due to a larger household. Nevertheless, the difference between both segments is not significant since OE enjoy and consume in abundance FiB's products. Looking at the Southeast region,

the entry will only be in 2023, and the quantities assumed were the same as the ones reached in 2022 in the Island of France region. Lastly, regarding **online** purchases, consumers are expected to buy less than in organic stores. Hence, the value reached in 2021 was considered to be half of the quantities sold in organic stores in that same year, in the Island of France region. From these years onwards, the rates employed were the ones abovementioned.

Quantities Sold per Customer (units)	2021	2022	2023	2024	2025
HGF Segment					
OS – Island of France	4,0	8,4	9,2	9,7	10,7
<i>Growth Rate</i>		5%	10%	5%	10%
OS – Southeast	-	-	8,4	8,8	9,7
<i>Growth Rate</i>				5%	10%
Online Stores	2,0	4,2	4,6	4,9	5,3
<i>Growth Rate</i>		5%	10%	5%	10%
OE Segment					
OS – Island of France	3,0	6,3	6,9	7,3	8,0
<i>Growth Rate</i>		5%	10%	5%	10%
OS – Southeast	-	-	6,3	6,6	7,3
<i>Growth Rate</i>				5%	10%
Online Stores	1,5	3,2	3,5	3,6	4,0
<i>Growth Rate</i>		5%	10%	5%	10%

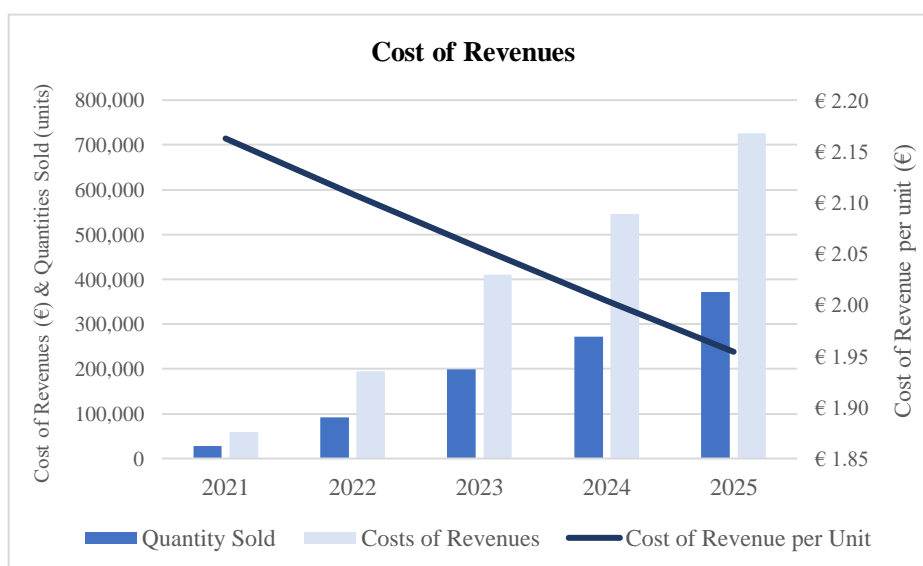
Source: Author's calculations and estimations

With quantities sold per customer computed, total quantities sold is just this value multiplied by the total market reach. To reach total sales, the **price** is required. In all years it was computed as the average of FiB's resale price of the four products, meaning, the price applied for wholesalers/retailers and not for the final consumer. This resulted in an average price of € 3,26, and in 2021, an entry discount of 5% was applied, leading to a price of € 3,10. With such values, it was possible to compute **total sales**. The final remark relies on quantity discounts employed in total sales from 2022 onwards. This discount was considered to be 5% and only applicable to 80% of the total amount of sales.

	2021	2022	2023	2024	2025
Total Market Reach (ppl)	8 285	13 114	26 477	34 607	43 204
HGF Segment	4 632	7 451	12 911	16 143	19 538
OE Segment	3 653	5 663	13 565	18 464	23 666
Total Quantities Sold (ppl)	27 182	92 410	199 688	272 008	371 258
HGF Segment	16 715	57 914	110 759	145 462	193 363
OE Segment	10 467	34 497	88 929	126 546	177 895
Average Price (€)	€ 3,10	€ 3,26	€ 3,26	€ 3,26	€ 3,26
Total Sales (€)	€ 84 246	€ 289 429	€ 625 424	€ 851 929	€ 1 162 781
HGF Segment	€ 51 805	€ 181 385	€ 346 899	€ 455 587	€ 605 614
OE Segment	€ 32 441	€ 108 044	€ 278 525	€ 396 342	€ 557 166
Market Share (%)	0,0026%	0,0081%	0,0163%	0,0206%	0,0262%

Source: Author's calculations and estimations

Exhibit 32: Cost of Revenues (€), Cost of Revenue per unit (€) and Quantities Sold (units)



Source: Author's calculations and estimations

Exhibit 33: New Employees Salaries (€)

	Monthly Salary Costs	Start Date
IEFP Intern	€ 157,8 (year 1) ¹ € 512,85 (year 2-5) ²	March 2021
Marketing and Sales Manager	€ 1 400	June 2022
Operations Manager	€ 1 400	January 2023

¹ 20% of the total salary (€ 789) ² 65% of the total salary (€ 789)

Source: Paylab Portugal and IEFP

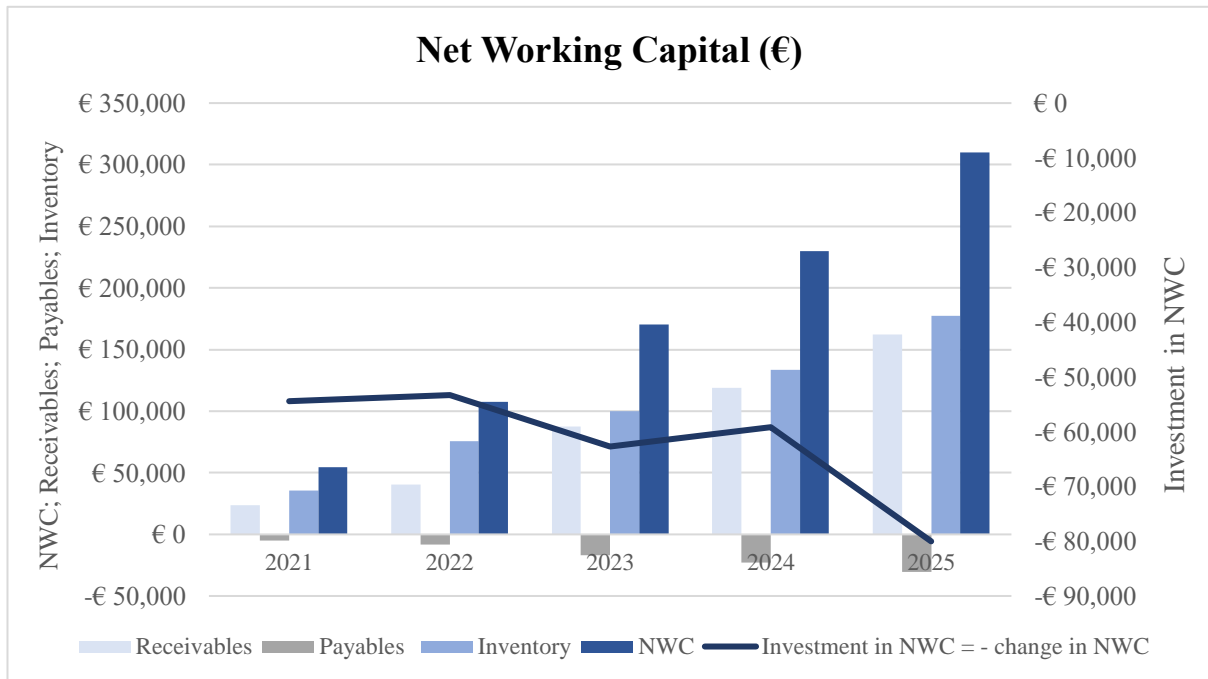
Exhibit 34: Inventories Forecast

To compute inventories, the range of products was divided since the raw material used and the production process of these products are distinctive. Two different groups were created, the prickly pear by-products, including the vinegar and the jam, and the olive oil and the honey. Additionally, it was predicted that the total quantities sold per year would be equally distributed by the four products. It was assumed 40% of the total quantity of pulp, olive oil, and honey sold in the subsequent year would be inventoried at the end of each period. This percentage can be explained by the fact that the extraction of raw materials used in FiB products starts, in general, at the beginning of the second semester. Furthermore, the author believes the company will sell larger quantities during this period due to the nature of products offered and the Christmas season, and for this reason, 40% was assumed instead of 50%.

Concerning the first group, the **prickly pear by-products**, it was estimated that eight units could be produced using 1Kg of pulp. According to FiB, each kilo costs € 2,5, including the fruit price and the manufacturing costs of transforming the fruit in pulp. In what regards the olive oil and honey group, since the raw material used in these products cannot be stored, the final products have to be inventoried and their costs considered in the NWC calculation. According to FiB, the production cost of 1L of **olive oil** is € 8, whereas the **honey** costs € 5/Kg. Thus, the inventory costs of these products were computed assuming the average cost of both products.

Moreover, as was considered in the cost of revenue per unit, it was estimated that the cost of each kilo/litre of a product would decrease 2,5% each year from 2022 to 2025, as quantities ordered increase. On a final note, to compute the inventory of 2025, it was estimated the number of products sold in 2026 would grow at the same percentage of the previous two years (37%). Lastly, giving the author's predictions, the inventory amounts € 35 809 in 2021, and € 177 444 at the end of the project, corresponding to a 396% growth rate.

Exhibit 35: Net Working Capital (€)



Source: Author's calculations and estimations

Exhibit 36: Sensitivity Analysis of the NPV given changes in the Discount Rates

Discount Rate	NPV
4,0%	€ 219 610
5,3%	€ 206 992
7,0%	€ 191 659
9,0%	€ 175 149
11,0%	€ 160 126
13,0%	€ 146 433

Source: Author's calculations and estimations