Appendices

Appendix

VRIO Analysis – Vicaima

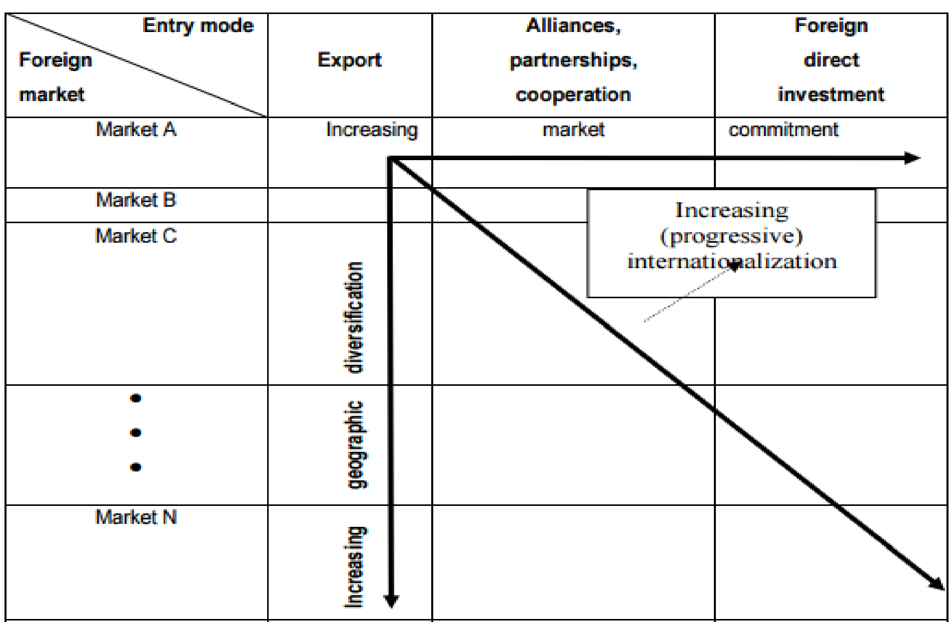
Resources/Capabilites	Valuable	Rare	Inimitable	Organizationally Embbeded	
Brand Management	X	X	X	X	Sustainable Competitive Advantage
Value Engineering	X	X	X	X	Sustainable Competitive Advantage
Market Knowledge	X	X		X	Temporary Competitive Advantage
Product Range Management	X	X			Temporary Competitive Advantage
Innovation	X			X	Competitive Parity
Distribution Network	X			X	Competitive Parity
Intelectual Resources	X			X	Competitive Parity
Information Technology	X				Competitive Parity
Level of Internationalization	X				Competitive Parity
Learning Curve	X				Competitive Parity
Supply Chain Partnerships	X			X	Competitive Parity
Loyal Customers	X				Competitive Parity

Appendix 2 – Organizational Resource Platform

Organizational Resource Platform - Vicaima

COMPETENCES	SPECIALIZED ASSETS	ARCHITECTURE OF RELATIONSHIPS
Brand Management	Distribution Network	Supply Chain Partnerships
Product Range Management	Intelectual Resources	Loyal Customers
Innovation	Information Technology	
Market Knowledge	Level of Internationalization	
Product Development	Learning Curve	
Value Engineering		

Appendix 3 – Phases and evolution of Uppsalla model



Source: Adapted by the author, according to Hollensen, 2008, p. 57.

Appendix 4 – Phases and evolution of Innovation model according to different authors

FIGURE 2
A Review of the Innovation-Related Internationalization Models

Bilkey and Tesar [1977]	Cavusgil [1980]	Czinkota [1982]	Reid [1981]
Stage 1 Management is not interested in exporting Stage 2 Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting Stage 3 Management actively explores the feasibility of active exporting Stage 4 The firm exports on an experimental basis to some psychologically close country Stage 5 The firm is an experienced exporter Stage 6 Management explores the feasibility of exporting to other more psychologically distant countries	Stage 1 Domestic marketing: The firm sells only to the home market Stage 2 Pre-export stage: The firm searches for information and evaluates the feasibility of undertaking exporting Stage 3 Experimental involvement: The firm starts exporting on a limited basis to some psychologically close country Stage 4 Active involvement: Exporting to more new countries—direct exporting—increase in sales volume Stage 5 Committed involvement: Management constantly makes choices in allocating limited resources between domestic and foreign markets	Stage 1 The completely uninterested firm Stage 2 The partially interested firm Stage 3 The exploring firm Stage 4 The experimental firm Stage 5 The experienced small exporter Stage 6 The experienced large exporter	Stage 1 Export awareness: Problem of opportunity recognition, arousal of need Stage 2 Export intention: Motivation, attitude, beliefs, and expectancy about export Stage 3 Export trial: Personal experience from limited exporting Stage 4 Export evaluation: Results from engaging in exporting Stage 5 Export acceptance: Adoption of exporting/rejection of exporting

Appendix 5 – Financial Overview

Assumptions

To, analyze the best entry modes and strategies and consequently making projections about the impact that an expansion to Cuba can have to Vicaima a few assumptions were introduced:

- As the model intends to analyze the specific impact of a possible expansion to Cuba only incremental values were used, meaning that everything that the company earned or spent even without expanding didn't fit in the model.
- Hotels start importing directly, otherwise a successive stage model doesn't hold.
- A actualization rate of 12% was used to incorporate the risk of being unable to take on orders from different countries due to capacity restraints.

- Four different foreign direct investment modes were analyzed, Indirect Exportation being Tecnotex the middle man, Direct Exportation with a commercial office present in Cuba, a Servicing Facility and finally Commercial office plus servicing facility.
- The estimate of the loan required to start the project was estimated to be equal to the necessities of the working capital of the first year. The first year was used since the changes in the working capital of the following years can be financed by the profit of the previous years.
- Cuba has a very different labor system where there's an agency for hiring, and companies pay the labor's salary to that agency in CUC and the agency pays the labor in CUP, this is seen as the biggest tax on labor in the world. There are some cases where non-Cuban permanent residents are authorized to work in Cuba. Due to huge difficulties to estimate the salary of each needed worker in Cuba this model estimated the salaries based on the company's practice in Portugal, assuming therefore a pessimistic scenario.
- It was assumed that all investments would be fully depreciated in 10 years, independently of which period the investment is made (N=10)
- The current expenses were estimated for the first year in activity and estimated to grow at the same pace as the revenues.
- The cost of goods sold and raw materials consumed was estimated as a percentage of the revenues in line with what occurs in other similar countries.
- Further ease of the US-Cuba relations even with the election of Trump, assuming no drawbacks and the previous estimates still hold.
- The margins are aligned to Vicaima's other international experiences

Limitations:

- Growth is not influenced by internationalization mode;

- Prices are not influenced by internationalization mode;
- Hard to make projections about revenues in such a fast-changing environment;
- The model doesn't consider non-financial benefits/costs, such as control, flexibility, risk or complexity;
- High dependency on the margins assumed for each mode, on the other hand other costs wouldn't influence the main conclusions.

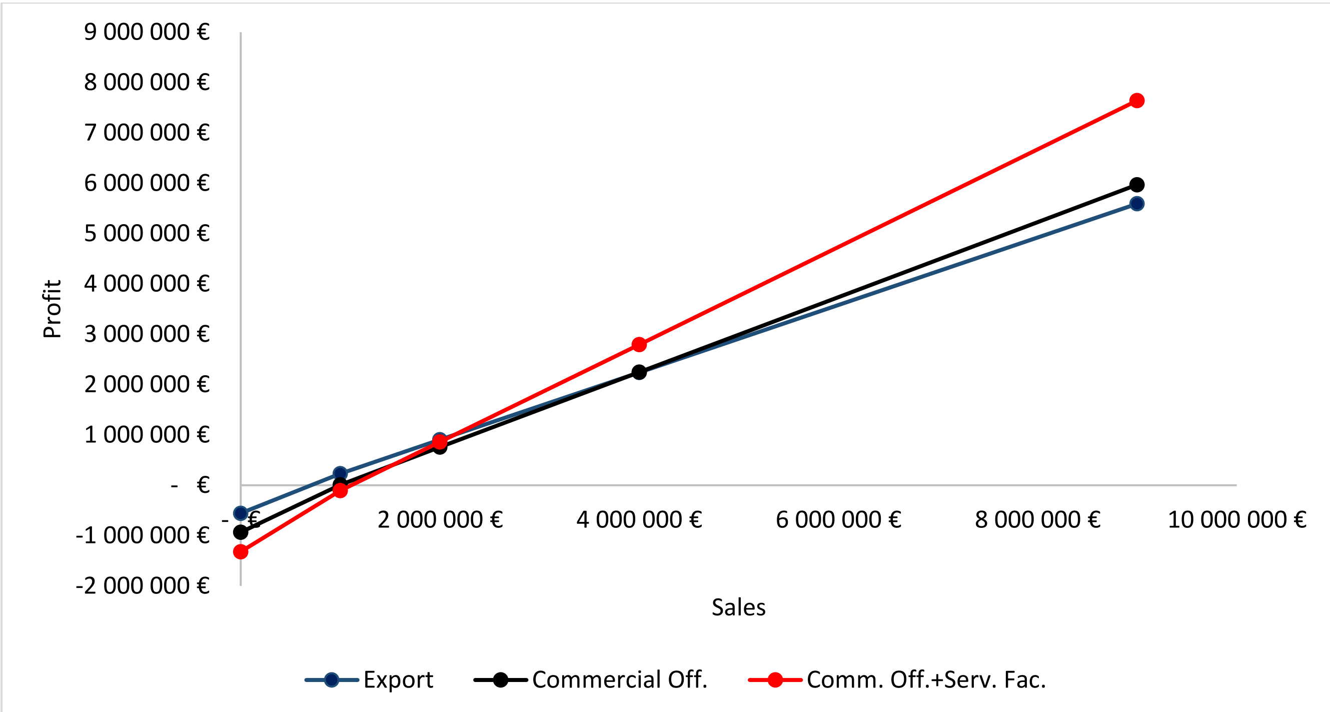
Appendix 5.1 - Trigger estimation (2-year spawn)

FDI mode	Indirect Export	Indirect Export	Commercial Office	Commercial Office	Servicing Fac. + C.O.	Servicing Fac. + C.O.
Revenue	2 584 000 €	2 584 000 €	2 584 000 €	2 584 000 €	2 584 000 €	2 584 000 €
CMVMC	1 489 600 €	1 489 600 €	1 375 600 €	1 375 600 €	1 033 600 €	1 033 600 €
Gross Margin	**1 094 400 €**	**1 094 400 €**	**1 208 400 €**	**1 208 400 €**	**1 550 400 €**	**1 550 400 €**
Current Expenses:						
Water, Electricity and Gas	72 960 €	72 960 €	72 960 €	72 960 €	72 960 €	72 960 €
Personnel Expenses	50 400 €	50 400 €	157 200 €	157 200 €	211 200 €	211 200 €
Capital Amortization	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €
Indirect Exp	32 000 €	32 000 €				
Comm. Off. expenses (continued)	- €	- €	91 643 €	91 643 €	- €	- €
Servicing Fac. + C.O. expenses (cont.)	- €	- €	- €	- €	116 214 €	116 214 €
Marketing expenses	150 000 €	150 000 €	150 000 €	150 000 €	150 000 €	150 000 €
Depreciations	2 000 €	2 000 €	25 143 €	25 143 €	66 714 €	66 714 €
EBIT	**725 651 €**	**725 651 €**	**650 065 €**	**650 065 €**	**871 923 €**	**871 923 €**
Total installment	- €	- €	- €	- €	- €	- €
EBT	**725 651 €**	**725 651 €**	**650 065 €**	**650 065 €**	**871 923 €**	**871 923 €**
Tax	152 387 €	152 387 €	136 514 €	136 514 €	183 104 €	183 104 €
NOPAT	**573 264 €**	**573 264 €**	**513 552 €**	**513 552 €**	**688 819 €**	**688 819 €**
Depreciations	2 000 €	2 000 €	25 143 €	25 143 €	66 714 €	66 714 €
NOPAT	573 264 €	573 264 €	513 552 €	513 552 €	688 819 €	688 819 €
Comm. Off. expenses (Unique)	- €	- €	20 000 €	- €	20 000 €	- €
Servicing Fac. expenses (Unique)	- €	- €	- €	- €	280 000 €	- €
Export (Unique)	- €	- €	- €	- €	- €	- €
CashFlow	**575 264 €**	**575 264 €**	**518 695 €**	**538 695 €**	**455 533 €**	**755 533 €**
Accumulated Free cash flow		1 088 893 €		999 672 €		1 130 116 €

	Products	Services	
Sales	2280000	304000	2 584 000 €
Export Margin	40%	60%	
Comm. Off. Margin	45%	60%	
Comm. Off+Servi. Fac. Margin	60%	60%	
Ind.Exp. Added Value	912000	182400	
Comm. Off. Added Value	1026000	182400	
Servicing Fac. + C.O. Added Value	1368000	182400	

IRC = 21,00%

Appendix 5.2 – Internationalization modes with the evolution of sales (2-year spawn)



Appendix 5.3 – Projected Results Report

	0	1	2	3	4	5	6	7	8	9	10
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
FDI mode	1	1	3	3	3	3	3	3	3	3	3
Revenue	- €	1 700 000 €	4 250 000 €	6 800 000 €	7 650 000 €	9 350 000 €	9 350 000 €	11 050 000 €	11 900 000 €	11 900 000 €	12 750 000 €
CMVMC	- €	980 000 €	1 700 000 €	2 720 000 €	3 060 000 €	3 740 000 €	3 740 000 €	4 420 000 €	4 760 000 €	4 760 000 €	5 100 000 €
Gross Margin	**- €**	**720 000 €**	**2 550 000 €**	**4 080 000 €**	**4 590 000 €**	**5 610 000 €**	**5 610 000 €**	**6 630 000 €**	**7 140 000 €**	**7 140 000 €**	**7 650 000 €**
Current Expenses:											
Water, Electricity and Gas	0	48 000 €	120 000 €	192 000 €	216 000 €	264 000 €	264 000 €	312 000 €	336 000 €	336 000 €	360 000 €
Personnel Expenses	50 400 €	50 400 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €
Capital Amortization	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	- €
Indirect Exp. Expenses (continued)	32 000 €	32 000 €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Comm. Off. expenses (continued)	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Servicing facility expenses (continued)	- €	- €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €
Marketing expenses	150 000 €	150 000 €	100 000 €	100 000 €	153 000 €	187 000 €	187 000 €	221 000 €	238 000 €	238 000 €	255 000 €
Depreciations	2 000 €	2 000 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €
EBIT	**- 295 789 €**	**376 211 €**	**1 874 483 €**	**3 332 483 €**	**3 765 483 €**	**4 703 483 €**	**4 703 483 €**	**5 641 483 €**	**6 110 483 €**	**6 110 483 €**	**6 640 871 €**
Total installment	18 417 €	16 575 €	14 733 €	12 892 €	11 050 €	9 208 €	7 367 €	5 525 €	3 683 €	1 842 €	0 €
EBT	**- 314 206 €**	**359 636 €**	**1 859 749 €**	**3 319 591 €**	**3 754 433 €**	**4 694 274 €**	**4 696 116 €**	**5 635 958 €**	**6 106 799 €**	**6 108 641 €**	**6 640 871 €**
Tax	- €	75 524 €	390 547 €	697 114 €	788 431 €	985 798 €	986 184 €	1 183 551 €	1 282 428 €	1 282 815 €	1 394 583 €
NOPAT	**- 314 206 €**	**284 113 €**	**1 469 202 €**	**2 622 477 €**	**2 966 002 €**	**3 708 477 €**	**3 709 932 €**	**4 452 406 €**	**4 824 371 €**	**4 825 826 €**	**5 246 288 €**
Depreciations	2000	2000	66714	66714	66714	66714	66714	66714	66714	66714	66714
NOPAT	- 314 206 €	284 113 €	1 469 202 €	2 622 477 €	2 966 002 €	3 708 477 €	3 709 932 €	4 452 406 €	4 824 371 €	4 825 826 €	5 246 288 €
Loan	613 889 €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Comm Off. expenses (Unique)	- €	- €	20 000 €	- €	- €	- €	- €	- €	- €	- €	- €
Servicing fac. expenses (Unique)	- €	- €	280 000 €	- €	- €	- €	- €	- €	- €	- €	- €
Export (Unique)	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
CashFlow	**301 683 €**	**286 113 €**	**1 235 916 €**	**2 689 191 €**	**3 032 716 €**	**3 775 191 €**	**3 776 646 €**	**4 519 121 €**	**4 891 086 €**	**4 892 541 €**	**5 313 003 €**

IRC = 21,00%

Where 1 represents Indirect Exportation and 3 Servicing facility + Commercial office

NPV	16 933 967,73 €
Actualization Rate	12%

Appendix 5.4 – NPV difference when resorting to the Commercial Office

	0	1	2	3	4	5	6	7	8	9	10
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
FDI mode	1	1	2	3	3	3	3	3	3	3	3
Revenue	- €	1 700 000 €	4 250 000 €	6 800 000 €	7 650 000 €	9 350 000 €	9 350 000 €	11 050 000 €	11 900 000 €	11 900 000 €	12 750 000 €
CMVMC	- €	980 000 €	2 262 500 €	2 720 000 €	3 060 000 €	3 740 000 €	3 740 000 €	4 420 000 €	4 760 000 €	4 760 000 €	5 100 000 €
Gross Margin	**- €**	**720 000 €**	**1 987 500 €**	**4 080 000 €**	**4 590 000 €**	**5 610 000 €**	**5 610 000 €**	**6 630 000 €**	**7 140 000 €**	**7 140 000 €**	**7 650 000 €**
Current Expenses:											
Water, Electricity and Gas	0	48 000 €	120 000 €	192 000 €	216 000 €	264 000 €	264 000 €	312 000 €	336 000 €	336 000 €	360 000 €
Personnel Expenses	50 400 €	50 400 €	157 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €
Capital Amortization	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	61 389 €	- €
Indirect Exp. Expenses (continued)	32 000 €	32 000 €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Comm. Off. expenses (continued)	- €	- €	91 643 €	- €	- €	- €	- €	- €	- €	- €	- €
Servicing facility expenses (continued)	- €	- €	- €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €
Marketing expenses	150 000 €	150 000 €	100 000 €	100 000 €	153 000 €	187 000 €	187 000 €	221 000 €	238 000 €	238 000 €	255 000 €
Depreciations	2 000 €	2 000 €	25 143 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €
EBIT	**- 295 789 €**	**376 211 €**	**1 432 125 €**	**3 332 483 €**	**3 765 483 €**	**4 703 483 €**	**4 703 483 €**	**5 641 483 €**	**6 110 483 €**	**6 110 483 €**	**6 640 871 €**
Total installment	18 417 €	16 575 €	14 733 €	12 892 €	11 050 €	9 208 €	7 367 €	5 525 €	3 683 €	1 842 €	0 €
EBT	**- 314 206 €**	**359 636 €**	**1 417 392 €**	**3 319 591 €**	**3 754 433 €**	**4 694 274 €**	**4 696 116 €**	**5 635 958 €**	**6 106 799 €**	**6 108 641 €**	**6 640 871 €**
Tax	- €	75 524 €	297 652 €	697 114 €	788 431 €	985 798 €	986 184 €	1 183 551 €	1 282 428 €	1 282 815 €	1 394 583 €
NOPAT	**- 314 206 €**	**284 113 €**	**1 119 740 €**	**2 622 477 €**	**2 966 002 €**	**3 708 477 €**	**3 709 932 €**	**4 452 406 €**	**4 824 371 €**	**4 825 826 €**	**5 246 288 €**
Depreciations	2000	2000	25143	66714	66714	66714	66714	66714	66714	66714	66714
NOPAT	- 314 206 €	284 113 €	1 119 740 €	2 622 477 €	2 966 002 €	3 708 477 €	3 709 932 €	4 452 406 €	4 824 371 €	4 825 826 €	5 246 288 €
Loan	613 889 €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Comm Off. expenses (Unique)	- €	- €	20 000 €	- €	- €	- €	- €	- €	- €	- €	- €
Servicing fac. expenses (Unique)	- €	- €	- €	280 000 €	- €	- €	- €	- €	- €	- €	- €
Export (Unique)	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
CashFlow	**301 683 €**	**286 113 €**	**1 124 883 €**	**2 409 191 €**	**3 032 716 €**	**3 775 191 €**	**3 776 646 €**	**4 519 121 €**	**4 891 086 €**	**4 892 541 €**	**5 313 003 €**

IRC = 21,00%

Real NPV

NPV	16 933 967,73 €
Actualization Rate	12%

NPV using the C.O. In year 3

NPV	16 646 153,98 €
Actualization Rate	12%

NPV difference

287 813,75 €

Appendix 5.5 – Projected Results Report - Sales reduced by 40%

	0	1	2	3	4	5	6	7	8	9	10
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
FDI mode	1	1	1	3	3	3	3	3	3	3	3
Revenue	- €	1 020 000 €	2 550 000 €	4 080 000 €	4 590 000 €	5 610 000 €	5 610 000 €	6 630 000 €	7 140 000 €	7 140 000 €	7 650 000 €
CMVMC	- €	588 000 €	1 020 000 €	1 632 000 €	1 836 000 €	2 244 000 €	2 244 000 €	2 652 000 €	2 856 000 €	2 856 000 €	3 060 000 €
Gross Margin	**- €**	**432 000 €**	**1 530 000 €**	**2 448 000 €**	**2 754 000 €**	**3 366 000 €**	**3 366 000 €**	**3 978 000 €**	**4 284 000 €**	**4 284 000 €**	**4 590 000 €**
Current Expenses:											
Water, Electricity and Gas	0	28 800 €	72 000 €	115 200 €	129 600 €	158 400 €	158 400 €	187 200 €	201 600 €	201 600 €	216 000 €
Personnel Expenses	50 400 €	50 400 €	50 400 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €	211 200 €
Capital Amortization	36 833 €	36 833 €	36 833 €	36 833 €	36 833 €	36 833 €	36 833 €	36 833 €	36 833 €	36 833 €	- €
Indirect Exp. Expenses (continued)	32 000 €	32 000 €	32 000 €	- €	- €	- €	- €	- €	- €	- €	- €
Comm. Off. expenses (continued)	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Servicing facility expenses (continued)	- €	- €	- €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €	116 214 €
Marketing expenses	150 000 €	150 000 €	100 000 €	100 000 €	153 000 €	187 000 €	187 000 €	221 000 €	238 000 €	238 000 €	255 000 €
Depreciations	2 000 €	2 000 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €	66 714 €
EBIT	**- 271 233 €**	**131 967 €**	**1 172 052 €**	**1 801 838 €**	**2 040 438 €**	**2 589 638 €**	**2 589 638 €**	**3 138 838 €**	**3 413 438 €**	**3 413 438 €**	**3 724 871 €**
Total installment	11 050 €	9 945 €	8 840 €	7 735 €	6 630 €	5 525 €	4 420 €	3 315 €	2 210 €	1 105 €	0 €
EBT	**- 282 283 €**	**122 022 €**	**1 163 212 €**	**1 794 103 €**	**2 033 808 €**	**2 584 113 €**	**2 585 218 €**	**3 135 523 €**	**3 411 228 €**	**3 412 333 €**	**3 724 871 €**
Tax	- €	25 625 €	244 275 €	376 762 €	427 100 €	542 664 €	542 896 €	658 460 €	716 358 €	716 590 €	782 223 €
NOPAT	**- 282 283 €**	**96 397 €**	**918 938 €**	**1 417 341 €**	**1 606 708 €**	**2 041 449 €**	**2 042 322 €**	**2 477 063 €**	**2 694 870 €**	**2 695 743 €**	**2 942 648 €**
Depreciations	2000	2000	66714	66714	66714	66714	66714	66714	66714	66714	66714
NOPAT	- 282 283 €	96 397 €	918 938 €	1 417 341 €	1 606 708 €	2 041 449 €	2 042 322 €	2 477 063 €	2 694 870 €	2 695 743 €	2 942 648 €
Loan	368 333 €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Comm Off. expenses (Unique)	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Servicing fac. expenses (Unique)	- €	- €	- €	280 000 €	- €	- €	- €	- €	- €	- €	- €
Export (Unique)	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
CashFlow	**88 050 €**	**98 397 €**	**985 652 €**	**1 204 056 €**	**1 673 423 €**	**2 108 164 €**	**2 109 037 €**	**2 543 778 €**	**2 761 584 €**	**2 762 457 €**	**3 009 363 €**

NPV	9 378 043,56 €
Actualization Rate	12%