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Competitiveness and Internationalization of a Portuguese SME in the Cheese Market

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To facilitate the reading of the presented dissertation and consult the appendices sections for further details, throughout the report all the Appendices stated as “see Appendix X” are linked directly to the respective appendix when clicked, as well as linked back to the main text when clicking the appendix number in the Appendices section.

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List of Abbreviations

AICEP	*Agência para o Investimento e Comércio Externo de Portugal*
APAC	*Asia-Pacific region*
APEC	*Asia-Pacific Economic Cooperation*
BM	*Business Model*

CAGR	*Compounded Annual Growth Rate*
CAPEX	*Capital Expenditure*
CAPM	*Capital Asset Pricing Model*
COGS	*Cost of Goods Sold*
DOP & IGP	*Portuguese nomenclature for PDO*
EPA	*Economic Partnership Agreement*
EU	*European Union*
FDI	*Foreign Direct Investment*
JETRO	*Japan External Trade Organization*
JSA	*Japanese Standards Association*
KAM	*Key Account Management*
KPI	*Key Performance Indicator*
M&A	*Mergers & Acquisitions*
MAR	*Missing at Random*
MCAR	*Missing Completely at Random*
MIPRO	*Manufactured Imports and Investment Promotion Organization*
NAFTA	*North American Free Trade Agreement*
NPV	*Net Present Value*
NWC	*Net Working Capital*
OECD	*Organization for Economic Cooperation and Development*
PDO	*Protected Denomination of Origin*
POS	*Point of Sale*
ROA	*Return on Assets*
ROE	*Return on Equity*
RSP	*Retail Selling Price*
S4	*Portuguese Cheese Company in Analysis*
STP	*Segmentation; Targeting; Positioning*
U.S.	*The United States of America*
WACC	*Weighted Average Cost of Capital*

WCO	*World Customs Organization*

Abstract

S4, an experienced Portuguese cheese company leader in the domestic fresh segment, aims to expand and consolidate its business internationally. By screening several countries based on macro and industry - specific indicators and conducting an in-depth analysis of the four most promising ones, United States and Germany resulted to be the most attractive markets for S4's internationalization. Following, the most suitable entry mode was defined as well as the ideal business model and marketing plan to effectively run a business in both countries. Financial projections and risk evaluations were performed to assess the viability of the proposed international plan.

Keywords: Cheese; Internationalization; Expansion; SME; Market Selection; United States; Germany; Entry Strategy; Business Model; Strategic Analysis.

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1. Introduction and Organizational challenge

S4 is a Portuguese company with more than 100 years of experience as a cheese manufacturer, having a consolidated presence in the domestic market and a wide portfolio of products inserted in all cheese categories, namely Fresh and Cottage, Cured-Specialty and Grated and Sliced, standing for its traditional values and high-quality standards.

In 2016, S4 started exploring international markets having reached already 18 diversified countries. Since the company already reached the maturity stage of its lifecycle in the domestic market, it highly needs to further invest in its internationalization process, taking advantage of new growth opportunities and consolidating the business in the countries where it is already present. In this sense, the driving objective and organizational challenge laid on defining the most attractive international markets to be explored and successfully present a feasible and viable expansion plan following a sequential structure: S4's **Situation Analysis** (internal and external analysis, current international strategy, evaluation of the competitive strategy and global readiness to expand); **Market Selection and Country in-depth analysis** based on comprehensive market evaluation and selection techniques, namely using country ranking and clustering analysis and deeply evaluating each of the most promising identified markets, thus being able to develop the appropriate **International Business Strategy, Entry Mode and Business Model** for the recommended target markets, **Marketing Plan** with the definition of the marketing mix and the **Financial** & **Risk Assessment** of both projects.

In this sense, the purpose of this Internationalization plan was to build and assess an International Market Selection and Strategy to take advantage of S4's experience, resources and capabilities within a small firm's setting, flexibility and expectations, and possibly tackling them into the most promising expansion's proposal.

2. Methodology and Analysis

Primary and secondary data were collected to retrieve all the relevant data for the project. Regarding the primary research, semi-structured interviews containing questions and a list of themes adjusted to the specific requirement of the research phase were carried out to the company's Export Manager, Vera Mota, namely one in-person interview, 5 over Microsoft Teams and several emails and direct calls or messages were exchanged depending on the delicacy of the topic to be discussed. Moreover, in the Entry Strategy, Business Model stage for the selection of the potential partners, two semi-structured online interviews were performed to *Norseland Inc.* former New Business Development Manager, to assess the advantages, disadvantages, viability and feasibility of such potential partnership for S4. Accordingly, all the collected information was gathered, structured and analysed leading to concise and logical conclusions to apply in the report. The secondary data collection, necessary for the entire project, involved the research on books, published articles, NOVA courses' content and online sources, namely commercial databases such as Euromonitor International, World Bank, ORBIS, Statista, The Heritage Foundation, European Commission, Government databases and companies' digital platforms, among others.

The assessment of the markets followed a sequential selection process to give theoretical consistency and reasoning given the large number and heterogeneity of the international markets in analysis, adopting a combined approach of techniques - Ranking and Clustering analysis - to identify the most attractive countries. In particular, while conducting the Market Selection it was critical to use the Statistics tool SPSS. Furthermore, the Business Model Canvas by Osterwalder and Pigneur (2010) was applied as a guiding line for formulation and implementation of the expansion plan in regard to the main strategic, marketing and financial decisions. At the Financial Plan level Sensitivity and Scenario Analysis techniques were performed to evaluate the proposed expansion.

3. Situational Analysis

3.1. Internal Analysis

3.1.1. Company Overview

S4 is a Portuguese farmers' family origin company, founded in 1918 in Castelo Branco, with a history of over 100 years in the Portuguese cheese production. It started producing fresh cheeses, where it is the unquestionable market leader, and which stands for the largest part of its production and sales. Over the last decades, S4 engaged in a series of acquisitions of other competitors and expanded its presence nationally and globally. Nowadays, the company is headquartered in Lisbon, has 345 employees, five different factories[1] throughout Portugal that produce all their products and it nationwide actively responsible for the collection, production, packing and distribution, guaranteeing the maximum quality of the cheese that gets to the Portuguese table. The company rigorously selects raw materials from a wide range of regional milk producers, enhancing tradition and quality. Throughout its existence, S4 has been capable of setting up successful relationships with the principal Portuguese retailers in the market such as *Sonae* and *Jerónimo Martins*. Consequently, S4 sells their own branded cheeses in hypermarkets, supermarkets, discount stores as well as the HORECA channel, but also produces for their private labels (grated and sliced cheeses for *Continente* and references in fresh, cured and grated cheeses for *Pingo Doce*).

With a market presence in all cheese segments in Portugal, the company stands for its traditional values and consolidate experience in cheese manufacture, having implemented a Quality and Food Security Managing System and paying attention to innovation to face and adapt to new market trends. S4's mission is to provide their customers with the highest-standard quality products, focusing on a continuous improvement of its processes. The company aims to create value both for the brand and its stakeholders through dissemination and marketing of its

[1] Montemuro, Palmela, Monforte, Torres Vedras, Abrantes and Logistics Center in Venda do Pinheiro.

products on different markets, striving to achieve sustainable growth and consolidate its long-lasting and trustful relationships with customers, employees and business partners along the supply chain. S4 distinguishes itself for the capacity to adequately respond to place quantities in due time to customers, quality policy to respect the health of consumers, employment engagement and, overall, ethical principles, believing in equal opportunities and respect and protection of the Human Rights, actively contributing to a sustainable development worldwide.

3.1.2. Product Portfolio

S4 presents more than 70 products on the market, taking pride in being, in the fresh cheese segment, an undisputed market leader, also being a reference in the cured cheese segment, namely with regional specialties and premium cheeses, so-called PDOs. With a strong product and consumer-oriented approach, the company strives to develop new quality products following demanding consumers' needs and preferences worldwide.

S4's Product Portfolio is a real added value for the company, and it is composed of four main product lines, namely **fresh cheeses,** regional **cured specialty cheeses, sliced and grated cheeses**, and **cottage cheeses**, with different attributes (i.e. shelf-life) that should be taken into consideration while exploring new markets (see Appendix 1 and 11). It has cheeses with several formats and a wide variety of textures (from the intense taste of the cured cheeses to the smooth characteristics of blended cheese) and flavours (cow, goat, sheep and blended), made with both pasteurized and raw milk. All products are made following careful processes and balanced nutritional outline guaranteeing the traditional, high-quality and genuine flavour, which have already led them to achieve national and international awards. By analyzing deeply the portfolio's performance through the BCG Matrix it was possible to assess that the Cash Cows are the fresh cheeses being the line producing the highest gross margin, the STARS are the cured-specialty which are expected to turn into Cash Cows through a bigger commitment from

S4, Dogs potentially grated and sliced given the high competition in the market and the Question Mark is the most recent bio line (see Appendix 2).

Even though the diversified product portfolio may appear as a competitive advantage since it allows S4 to satisfy wider target segments, the lack of consistent brand image and online and offline communication prevents it from taking the full potential of this resource. Small logos with different colours in each product are a potential downside when compared to other players that highly invest in their brands' communication and awareness, highlighting the potential need for more branding efforts (see Appendix 3).

3.1.3. Financial Overview

In the financial overview of the company, S4's results, liquidity, cash-flow-management, return on assets and on equity were analyzed. It is important to mention that all the analysis was based on the financial statements provided by S4 and that no additional notes to the aforementioned statements were provided (see Appendix 4.1 for Income Statement and Appendix 4.2 for Balance Sheet).

Based on the profitability analysis it is concluded that the revenues and the EBITDA evolution have been quite volatile since 2015. The figures significantly increased in 2016, providing growth of 48,1% and 59,02% for revenues and EBITDA, respectively. Differently, the two metrics experienced lower growth in periods such as 2019, when revenues and EBITDA grew 7% and 5,94% (see Appendix 5). It is worth to refer that S4´s revenues and EBITDA growth over this five-year period have been largely sustained by the ongoing acquisitions or construction of new production sites such as the *Azetitão* DOP production site acquired in 2015, the development of a new production site in 2017, a new factory built in 2018, and by the acquisition of *Queijo Saloio*, one of S4's largest competitors (see Appendix 6).

Considering the credit risk position of the company (see Appendix 7) S4 presents healthy liquidity ratios, that have been improving over the last five years. The company shows other reassuring signs of liquidity given that for 2019 it accounted for a positive NWC (1) and a current ratio above 1 (1,2). On the other hand, the cash conversion cycle negatively evolved from -122 in 2015 to 37 in 2019, meaning that the company currently needs to fund their operational activity trough external sources of financing (see Appendix 8).

Moreover, in order to measure S4's capital structure in terms of how it has been financing itself and the subsequent risk of the current financial decisions, three different ratios were analyzed: Debt-to-Equity (D/E) ratio, Solvency ratio, and Financial Autonomy ratio[2]. The D/E ratio as a measure of the level of financial leverage of a company reflects S4's positive evolution since 2015, even though the D/E value lies outside of the recommended range above[3]. In fact, the ratio reached a value of 239% in 2019. The Solvency ratio, that indicates the company´s ability to meet its obligations, positively evolved from 7% in 2015 to 41% in 2019. Nonetheless, the improved value is still below the minimum level of 50% required by financial institutions. Lastly, the Financial Autonomy Ratio shows that the independence towards the creditors increased from 3% to 29% from 2015 to 2019, which complies with the minimum requirements of 25% set by financial institutions of 25% (see Appendix 9).

Furthermore, the ROA[4] is significantly low in all the years in analysis, being negative in 2016, demonstrating a probable inability of the company in efficiently using its assets to generate returns. Differently, ROE[5] increased from 2% in 2015 to 6% in 2019, meaning that returns of shareholders have grown over this period (see Appendix 10).

Overall, the aforementioned analysis led to the conclusion that the financial situation of S4 is relatively risky, in particular taking into account the excessively high levels of debt and the negative management of S4 cash-flow over the last five years. The revenue's growth decreased in the last two years also might suggest a certain saturation of the domestic market and

[2] Financial Statement Analysis class.
[3] Values vary industry by industry but D/E ratios above 66% should be carefully analysed.
[4] Return on Assets measures how efficiently a company uses its assets to generate earnings.
[5] Return on Equity measures the profitability of a company in relation to the shareholder´s equity.

consumers shifting towards different brands, which in turns highlights the need to invest deeply in products' innovation and enhances the importance of exploring new international opportunities.

3.2. External Analysis

The cheese market is inserted in the dairy products market, representing the second-largest segment after Drinking Milk Products (26,5% of the global dairy sales in 2017 and 26,2% 2022 forecasted) (Euromonitor International 2018). It can be divided into two main categories based on the freshness, quantity of salt, and addition of other ingredients: the **processed cheese** presents more additives and salt, while **unprocessed cheese** is more naturally produced, with less salt, fresh milk and less enzymes. In the unprocessed cheese category are included the soft and hard unprocessed cheeses, where the majority of S4's products lay on (see Appendix 11).

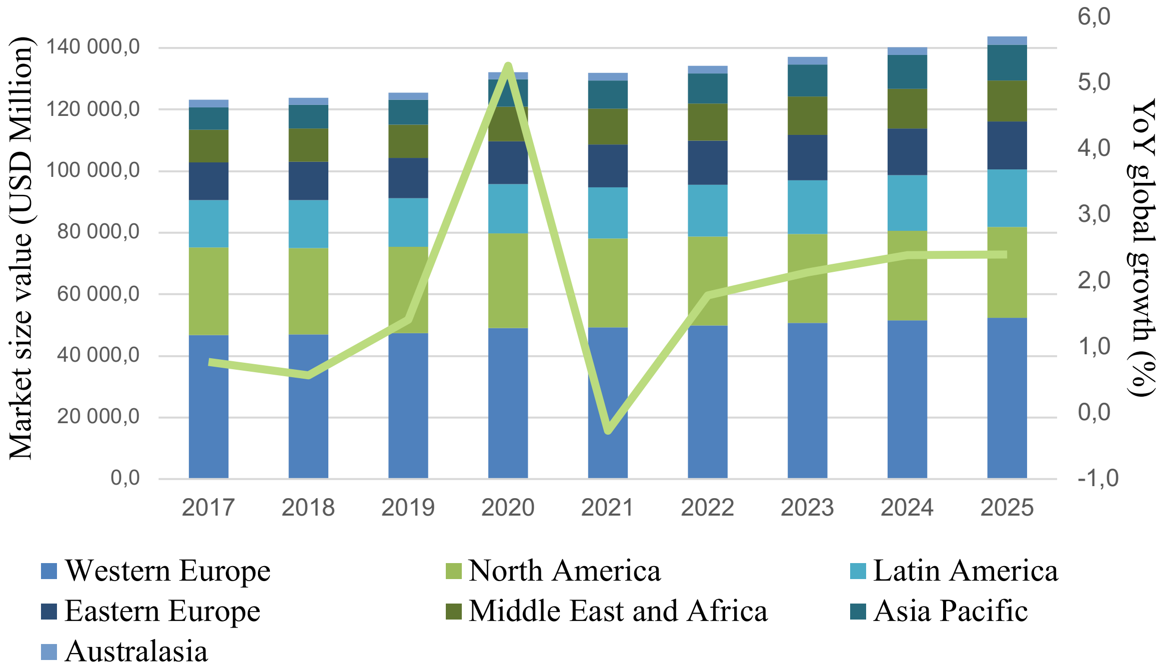
Both global and domestic markets show the positive results of the cheese category, enhancing the opportunities to explore untapped markets and consolidate existing ones. Understanding the performance of the cheese market worldwide and in Portugal constitutes a basis for identifying opportunities and threats, thus enabling S4 to better structure its strategic decisions and the positioning it wants to follow in such attractive cheese market.

3.2.1. Global and Domestic Cheese Market

With 75% of the market represented by unprocessed cheese, the global cheese market was worth[6] approximately 125578,4 million USD in 2019 and is forecasted to achieve 143698,6 million USD by 2025, growing at a CAGR of 1,7 % from 2020 to 2025, a value which is aligned with the historic CAGR 2015-2020 of 1,8% (Euromonitor International 2020). *Figure 1* highlights the global performance in terms of YoY growth and the specific regions' cheese market sizes.

[6] The reference to market value along this project is in terms of Retail value RSP (i.e., sales at end price to consumer, including retailer and wholesaler mark-ups and sales tax (except in the US and Canada) and excise taxes), computed using historic and forecast constant 2020 prices and exchange rates.

Figure 1 - Global and regional Cheese Market Size in USD Million and global YoY growth (%)



(Euromonitor International 2020)

By firstly evaluating the market as a whole, it was possible to observe a global substantial increase in value - 5,3% - followed by a slight decrease of 0,3% expected to occur between 2019-2020 and 2020-2021, respectively (reaching 132189,3 USD million in 2020 vs 131834,2 USD million in 2021). This is a consequence of the initial penetration of the global COVID-19 pandemic in the supply chain and the ongoing repercussion of the unstable economic, legal and social situation. In fact, the unusual rise of value in 2020 is mainly associated with the higher prices in key staples while the decrease in 2021 reflects a market expected to rebound (Farm Policy News 2020). On the other hand, due to the pandemic that affected overall changes in demand, namely the plunging orders from the HORECA channel (Farm Policy News 2020), 2020 forecasted global cheese volume is expected to register a drastic drop of 6% compared to the previous year (17765,5 thousand tonnes in 2019 vs 16658,1 in 2020) (see Appendix 12); however, a faster recover is forecasted for the upcoming years (3,5% 2020-2025 CAGR), with positive expectations (above 3%) within the main regions[7], particularly Asia-Pacific with the highest volume growth predicted (5,8%) (see Appendix 13) (Euromonitor International 2020).

Secondly, by analyzing deeper the performance of the individual regions from 2017 to 2025, it was possible to assess that not only Western Europe and North America distinguished for being the regions with the highest share in terms of volume consumed (32% and 24%, respectively in 2019) (see Appendix 12 and 14), but also the ones with the biggest market size as shown in *Figure 1* (i.e. 38% and 36% in 2019, see Appendix 15), in particular the United States, France and Germany with the highest value in 2019 (see Appendix 16). Although the two abovementioned regions are expected to still dominating in the near future, Eastern Europe, Latin America, Asia-Pacific, Middle East and Africa are projected to gain market share and grow faster, hence making them other promising markets to explore (CAGR 2020-2025 2,6%, 3%, 5,7%, 3,2% respectively vs Western Europe and Australasia 1,3%, North America -0,8% (Euromonitor International 2020).

In this context, Europe is a major player with the highest level of cheese consumption per capita (with France in the leading position in 2019 - 17,2kg - followed by other 11 European countries and the United States at 11,8kg) (see Appendix 17) (Euromonitor International 2020). In addition, the European market is forecasted to grow in terms of total consumption (CAGR of 0,74% until 2025) (Statista 2020), as well as regarding exported and imported cheese volumes, being the amount of cheese exported worldwide considerably higher than the one imported in the region (see Appendix 18) (Statista 2020). As of 2018, Germany is the top cheese importer worldwide with a trade value of 4379,21 USD million, followed by United Kingdom, Italy, France, Belgium, Netherlands, United States and Japan, respectively (see Appendix 19), (OEC 2018). The global cheese production increased throughout the last years with Europe (with Germany, France and Italy as top performers) being in 2019 the top producer of cheese

[7] CAGR 2020-2025 by region: Western Europe 3%, Australasia 3,9%, Eastern Europe 2,4%, Latin America 3,6%, North America 3,7%, Middle East and Africa 3,7%.

worldwide with 10 275 thousand metric tonnes of cheese produced, followed by United States (Statista 2020) (see Appendix 20).

Portugal, the domestic market of S4, reflects positive results as the global cheese market. In 2019, the cheese market was the third most valuable among all the Portuguese industries, with the unprocessed category leading with 96% of the total market sales, especially hard cheeses, where the cured line is included (see Appendix 21). The cheese consumption reached 12.5kg/per capita accounting for 965,7 million USD spent in the category (Euromonitor International 2020) and has been growing in the last years. Notably, in 2019 the total volume and value increased by 2,6% and 2,8%, respectively, compared to the previous year (see Appendix 22), and the forecast made from 2019 until 2025 confirms an ongoing stable growth (2,2% CAGR in retail value and 4,03% in volume) (Euromonitor International 2020). The value of exports of cheese from Portugal totaled 42 million USD in 2019, decreasing by 10,5% in value terms compared to 2018, with Angola (19,5% - 8,38 million USD), Spain (17% - 7,31 million USD), France (10,9% - 4,69 million USD) and United States (8,64% - 3,7 million USD) as the top export destinations[8] (Trend Economy 2020).

In terms of distribution channel, the global and domestic performances are aligned with Modern Grocery retailers representing the majority of the total sales (76% globally and 87% domestically), in particular with supermarkets accounting for 40% and 57%, followed by hypermarkets. In addition, in the global traditional groceries, the independence small groceries are the third largest (12,5%), while in Portugal the discounters (6,1%) (Euromonitor International 2020).

[8] Followed by Switzerland with a share of 8,29% (3,55 million USD), United Kingdom with a share of 4,4% (1,88 million USD), Canada with a share of 4,23% (1,81 million USD), Cabo Verde with a share of 4,03% (1,72 million USD), Luxembourg with a share of 3,92% (1,68 million USD), Morocco with a share of 3,69% (1,58 million USD).

3.2.2. Market Trends

Emerging health concerns, dairy-free demand, sophisticated snacking and high-quality distinctive cheese flavours and textures identify target consumers who are willing to pay more premium prices for quality and experience. As consumers become more informed and conscious about their health and the production of the dairies they eat, the demand for more natural and nutritional cheeses with higher levels of protein, calcium and vitamins is increasing. The emergent concept of cheese as a healthy snack is confirmed by the upcoming growth of the global unprocessed cheese category (higher than the processed one – 9,36% vs 4,21% CAGR 2020-2025), (see Appendix 23), as well as the rise of the organic cheese market (11% CAGR 2019-2025) (see Appendix 24) (Statista 2020). Moreover, gut health issues, rise of flexitarians[9], concerning intolerances and changes in consumers beliefs around sustainability and animal welfare are increasing the demand for plant-based dairy options, namely in Western countries and the United States, since the APAC continues to rely heavily on tradition (Euromonitor International 2020). In fact, vegan cheese is gaining popularity, not only by being dairy-free but also because it is considered to be a rich source of protein (Euromonitor International 2020).

In 2020 the global vegan cheese market was valued 2,50 billion USD in 2020 and it is expected to grow at a 9% CAGR 2020-2025 (Market Data Forecast 2020). In light of the abovementioned health and wellness trend manufacturers' brands and private labels are investing more in the fresh and free-lactose cheese segment as well as in innovative dairy alternatives, very differentiate and with some exclusive limited-edition products to fulfil the need of young millennials looking for new and adventurous flavours, high-quality options enhancing the eating experience (Euromonitor International 2020; FoodBev Media 2020).

Furthermore, another noticeable trend is related to sophisticated dairy snacking as innovative, healthy, on-the-go cheese and other dairy options are arising, with consumers

[9] A Flexitarian Diet is a style of eating that encourages mostly plant-based foods while allowing meat and other animal-based products in moderation (Healthline 2019).

lifestyle demanding for smaller and more easy-to-eat meals, such as hand-held less sugary cheese snack bars or simple snack-size cheeses. Overall, flexibility, convenience and pleasant experience are influencing brands across the dairy snacking industry, which is expected to growth at 5,14% CAGR during the forecasted period 2020-2024 (FoodBev Media 2020).

3.2.3. Competitive Landscape

Competitor analysis is the first step to examine the rivalry among each market player. Given the attractiveness of the cheese market based on performance and new opportunities to explore, the risk of new entrants is high, hence companies need to distinguish and consolidate their position.

With 300 players in the Portuguese operation of dairies and cheese making industry, the main market for S4 is unsaturated when compared to other countries, but highly competitive (ORBIS 2020). *Fromageries Bel Portugal SA (Bel Groupe)* leads the market (21,4% value share in 2019), followed by the Portuguese company *Lactogal* with 16,7% and finally *S4* with 10,5%, (see Appendix 25 and 26) (Nielsen 2019)[10]. The two abovementioned direct competitors are both a huge international name and a national company with well-established and strong positions. To evaluate the extent of S4's competitors it becomes important to understand their market commonality and similarity in their resources (Hitt et al. 2009, 140). These companies operate in the dairy industry, not only within the cheese category but also with milk, butter and other dairy products. Particularly, in the cheese market, both brands offer a wide product portfolio with fresh, creamy, sliced, grated and semi-hard cheeses. In addition, *Lactogal* offers also specialty cheeses, in particular for the HORECA channel, and *Bel Portugal* created a bio cheese and started offering snack-size options, also as bundles with dry fruits, to follow emerging trends. While *Bel Portugal* shows a high and fast adaptation to tendencies, *Lactogal* focuses on communicating the brand's history and tradition, without compromising its

[10] Information provided by S4.

authenticity. Although the top 3 firms have become very diversified, making multimarket contacts are inevitable when operating in such fast-cycled market, where some competitive advantages might be temporary. All three players' strengths lay on their market expertise, high-quality standards, focus on product development and internationalization objectives, however when compared to S4 they do not exclusively focus on cheese or offer such broad regional cured specialties (where PDOs are included), which can be seen as a domestic competitive advantage point for S4 to take into account in the internationalization process.

Globally is *Kraft Heinz Co*. who takes the lead as the biggest manufacture brand in the cheese category (7%), followed by *Lactalis Groupe*, (6,6%) and *Bel Groupe* (3,1%) also present in Portugal. *Kraft Heinz Co* is the world 5th biggest company in the food & beverages industry with 26 brands and a wide cheese portfolio, specifically focused on butter, cream and mainly processed cheeses as well as natural or cheese bundles with crackers, offered sliced, grated and creamy. Besides, it is worth to mention *Savencia SA,* the worldwide 4th cheese player that with 2,9% market share leads the global specialty cheeses segment outreaching the market with strong and solid brands with distinctive products (Euromonitor International 2020). The firm focuses on continuous product innovation, not only adapting to local tastes and habits but also be aware of the quality of manufacturing and the authenticity of the products, namely in the PDOs' cheeses, which can be seen as a good role model for S4 futuristic approaches.

Private labels are the worldwide leaders accounting for 19,9% of the total cheese retail value. They continue to consolidate their result and leadership even after the COVID-19 outbreak, which can be justified by the increasing development of innovative products and premium offers (such as for the organic market) with an excellent balance between quality and price which is impacting positively the customers' loyalty towards these brands (Euromonitor International 2020).

3.3. Competitive Advantages

To be successful in such a competitive market a firm must clearly understand the strategy and acquire the necessary skills and resources to compete in the cheese industry, the so-called *Key Success Factors*. In this sense, the identification of the resources and capabilities that constitute sustained competitive advantages is critical for a sustainable survival and growth (Carpenter and Sanders 2014, 80). Given the resources and capabilities S4 owns and by evaluating them accordingly to the VRINE Model Criteria (see Appendix 27) (Carpenter and Sanders 2014, 80) it was possible to identify the main competencies of S4 that can be effectively exploited as sustainable competitive advantages: its **Market Expertise**, with more than 100 years of experience in the Portuguese cheese market and constantly paying attention to innovation to accompany trends and demands, **Quality Standards**, contributing to the brand image in its domestic landscape and playing as an advantage when entering untapped markets, **Specialty cheeses offer (particularly PDOs),** that enhances the uniqueness, tradition and value to Portuguese origin and finally, the **entire Operation Process control** in the domestic market with a considerable production capacity, enabling the company to be independent. S4's **Financial Resources**, **Wide Network** (not only concerning the domestic market but also through previous international expansions) and **Special bonds** with the Portuguese communities across the world constitute temporary competitive advantages being imitable and substitutable. Furthermore, the Brand image and Wide Portfolio diversity cannot constitute a competitive advantage due to the lack of branding efforts and the improper leverage of such a broad offer, respectively.

3.4. SWOT Analysis

By understanding S4´s **strengths,** it was possible to identify the potential **opportunities** the company may pursue in the future, as well as assess **weaknesses** in order to mitigate the risk and consequences of potential **threats** to the company's sustainability (see Appendix 28).

S4's strengths lay on the wide range of cheeses, based on Portuguese tradition, allowing it to tackle different segments, being the only supplier in the Portuguese market present in all cheese market categories and notably the market leader in fresh cheese and a critical player in the regional specialties' segment. The high-quality of the products, the PDOs' certificated cheeses as well as the attention the company pays to innovation to continuously accompany changes in market trends developing healthier and tasteful cheeses, namely within the organic market through the most recent bio line and specialty segment whose demands have been growing worldwide, constitute a differentiator factor from competitors. In addition, S4 controls all the national operational cycle, allowing it to be constantly aware of all the stages of the process and its products' performance.

Although the international expansion has intensified over the last years, difficulties in controlling the operations process arise due to the nature itself of the applied entry mode, which implies a high dependency on each local distributor performance. Moreover, limitations in terms of shelf life of some cheeses – especially the fresh line – as well as obstacles in terms of following all local regulations adjustments regarding food standards, particularly towards animal-based products, are identified. With regard to S4´s weaknesses, it is also important to point out the limited brand awareness and image which is narrowing the target customers the company could captivate. The weak promotion channels' efficiency, namely investments in organic marketing such as SEO, Google Ads and international social media accounts as well as the perceived inconsistency of brand communication and packaging differences – in brands' names on packages (possibly mistaking consumers), in logos (colour pallet choices, small size almost non-noticeable in the packages and shelves) – all reflect the company is not taking full potential of marketing, branding and advertising.

Therefore, S4 should leverage its investment not only in marketing but also innovation and digitalization to truly grab the opportunity of the growing demand for plant-based, healthy cheeses and high-quality premium segments, exploiting its commitment to some of the current markets – including the domestic - with different entry strategies and business models.

As for potential threats, there is an increasing rivalry in the Portuguese and global market with the growing importance of the private labels who threaten S4´s dominant position in the Portuguese market within the fresh cheese, and also internationally, where, in addition, there is a strong presence and dominance of larger companies, such as French, Italian and American producers. To successfully enter in different international markets, it is required an extensive number of resources and capabilities in order to adapt to each market characteristics which might be difficult to achieve. Finally, the saturation of some markets due to the increasing number of dairy and cheese companies in the industry, the stricter regulations towards animal-based products and bureaucratic restrictions in terms of production and labelling processes as well as the increasing number of lactose intolerant people and no animal-based products' consumers are all potential obstacles for a future foreign expansion.

3.5. International Strategy

3.5.1. Current International Approach

International markets are a crucial part of S4 business. The company's internationalization process started in 2016 and has been consolidated over years, selling nowadays to 18 countries and having already established commercial relationships with Brazil, Morocco, Dubai and Saudi Arabia (see Appendix 29). In 2019, exports accounted for approximately 8,8% of the total turnover, with Angola, France, Poland, Germany and Luxembourg, respectively, representing the top markets in terms of sales[11].

Its business model involves exporting a variety of cheese-products with several references to each country, adapting its wide portfolio offer to the clients' specific needs and taking into account the attributes of each product line, namely the shelf-life and the distinctive flavours. In

[11] Information provided by S4.

particular, as observed in Appendix 30, S4's positioning in foreign markets is mainly turned towards the cured-specialty cheese category, which, thanks to the longer shelf-life and unique characteristics, allows the company to expand the business to overseas regions such as America, Africa and Asia-Pacific.

Each internationalization expansion starts with a research phase, followed by the penetration into the selected market via trading (direct or indirect exports). The company gathers information through its wide national and international network of contacts, attending European and International fairs and webinars, collaborating also with different Portuguese trade and food associations (such as Portugal Foods[12] and AICEP[13]) that support Portuguese businesses in their expansion plans. The potential explorable markets' viability and feasibility are in general analyzed taking into account several criteria such as political[14] and economic situation, and more specific market indicators - consumption per capita, cheese imports, competitive landscape, consumer preferences and trends. Based on the research stage, S4 plans the next steps into the market, adapting its strategy mainly in terms of portfolio evaluation and product choice (bearing in mind the shelf-life issue) to local demand and negotiate procurement and logistics terms with potential clients.

Depending on the country, the products will be delivered over direct or indirect exporting. In the first case, S4 will directly sell to a customer (whether distributors or retailers) in an international market, usually local retailers or Portuguese clients set in loco with their own stores. While, through indirect intermediation (such as the United States case), the company uses trading companies or export management companies set in Portugal to deliver its products to the final customers in foreign markets. Portuguese communities, the so-called *mercado da saudade*[15]*,* play an important role in S4's international expansion and presence as the company

[12] Non-profit organization that supports the agri-food Portuguese businesses in their expansion plan.
[13] Trade & Investment Agency that contributes to the success of Portuguese companies in foreign markets or exporting operations.
[14] For instance, S4 excludes Nigeria from the internationalization plan due to extreme political and legal instability.
[15] International markets that represent a connection between Portuguese communities across the globe whose purpose is to provide them typical Portuguese products.

relies on them to spread the Portuguese cheese tradition abroad, having the highest linkage to the domestic country.

In light of the abovementioned entry mode, S4 does not develop any coordinated partnership in terms of business structure[16]. Hence, taking into account the mature stage of the industry life cycle in which S4 lays and the current expansion approach, there is a need to consolidate the presence abroad and gain more control over the international operational model.

3.5.2. International Drivers & Goals

Although the company already exports to many countries, this cannot be considered as a deterrent factor for the internationalization expansion, since this presence highly lacks on consolidation, namely on following a better-structured mindset and priorities' definition, having a higher control over the process, and a general focus on expanding globally with a defined organization and product strategies.

In the next years S4 aims to pursue a continuous and sustainable global strategy's growth by exploring new markets and consolidating the existing ones, spreading the unique Portuguese value around the world with existing and innovative new products aligned with market trends. Following the *Ansoff Matrix*, in existing markets, the approach will lay on a market penetration or product development (such as with the most recent bio line), as well as a market development strategy in new untapped countries (see Appendix 31). Particularly, new partners with solid business structures and within their line of action will play an important role in the company's internationalization strategy since they can more effectively guarantee a dedicated commitment of introducing, distributing and placing the products in the destination markets. The company's preferences among potential markets vary with the United States considered an interesting potential country to better explore given its market size, followed by some highly diversified and attractive countries such as UAE, Morocco and Saudi Arabia, where the attention and

[16] Information provided by S4.

demand for dairy and cheese products are expected to progressively grow. Moreover, in the upcoming years, the company seeks to enhance competitiveness by acquiring market knowledge through a developed relationship with existing and new business clients and a more consolidate brand image, awareness and recognition. In addition, enlarge the Cardex volume in active customers, drive sales, increase profits, diversify risk and gain more control over the entire international process are goals the company aims to achieve.

Bearing in mind the ongoing COVID-19 pandemic, which has inevitably affected some markets, the worldwide dairy and cheese consumption was not significantly affected based on the results presented in the Global Cheese Market Overview which highlights the decrease in volumes, but the increase in value in 2020. To confirm, several players[17] in the cheese market grew even after the outbreak and more than half of Portuguese consumers stated they were purchasing the same quantities as before (Portugal Foods 2020). However, some adaptations might be necessary depending on the market S4 is going to further explore.

3.5.3. Internationalization Readiness

Based on an overall evaluation of the company resources, capabilities, competitive advantages and current internationalization approach and objectives S4 has an opportunity for a further expansion in foreign markets. More specifically, the level of the company's readiness to internationalize was assessed through the application of the CORE model, which is defined as a self-assessment and diagnostic tool of a company's readiness to extend its business and operations to international markets, also evaluating the capacity of the firm to export certain products among its portfolio (GlobalEDGE 2020). The test analyses the organization and product readiness namely through the following dimensions: Competitive Capabilities in Domestic Market, Motivation for Going International, Commitment of Owners and Top Management, Product Readiness for Foreign Markets, Skill, Knowledge & Resources and

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[17] Private Labels, *Lactalis* and *Bel Portugal*.

finally Experience and Training. Based on a mutual assessment by the Team and the Company, the results showed a **MODERATE** score of S4's readiness to expand (see Appendix 32) (GlobalEDGE 2020). It was possible to notice that some adjustments might be necessary for future expansions: although the Product Readiness highlighted the need for more emphasis in training and after-sales support service, a lower willingness to modify internal tangible attributes of the products (such as flavour, texture, etc.) and an overall less strong recognition compared to leading competitive products, S4's broad portfolio with several distinctive attributes might easily be selected according to foreign consumers' trends and successfully penetrate distinctive markets. Moreover, in terms of Experience and Training for international marketing, improvements related to management experience abroad, participation in trade fairs and overall organizational structure's efforts are highly suggested.

In the general assessment the company seems ready to explore new markets showing a high motivation for going international, a deep commitment of Owners and Top Management and the necessary competitive capabilities in the domestic market which enhance the likelihood of success abroad, as well as the right skills, knowledge and resources to make the expansion effective and worth.

5. International Market selection II: In-depth country analysis

In order to assess whether the selected markets United States, Germany, Canada and Japan truly represent a potential opportunity for S4 and culminate the final suggestion, an in-depth country analysis grounded on Domestic Market Overview and Trends, Retail Landscape and Market Sales Potential, Entry Conditions, Porter's 5 Forces and lastly Contacts was performed.

5.1. United States Analysis

Domestic Market Overview and Trends

Cheese is the largest dairy segment in the United States and remains one of the faster-growing ones, reaching 3884,9 thousand tones consumed in 2019 and forecasting to grow in the next five years by 3,6% (Euromonitor International 2020). The COVID-19 is expected to impact this growth making it drop to about 2% per year prior pandemic, yet remaining one of the most popular dairy categories (European Commission 2020). 78% of the market volume is represented by unprocessed cheese, which is divided into hard and soft cheeses, being the preferred when compared to the processed category that continues to shrink while the other grows (European Commission 2020). The U.S. is the 2nd largest cheese producer with 5,950 thousand metric tonnes produced in 2019 (see Appendix 20) (Statista 2020), over 300 varieties mainly made from cow's milk and with American as the most common processed cheese type produced and consumed (European Commission 2020). In 2019, 40% of the total cheese production in the United States was American cheese and 60% other types (Statista 2020).

The value and volume production's capacity shows the country's great potential, however, U.S. consumers also have an appetite for imported cheese (in 2018, among the 71 countries analyzed for the final ranking it positioned 7th in the world in terms of cheese imports with a trade value of 1303,56 USD million) (OEC 2018; Euromonitor International 2020). Notably, the EU accounts for 75% of the total imports, with Italy as the main place of origin, and after France, Spain and the Netherlands (European Commission 2020). In 2019, most of the imported cheese eaten by Americans were regular types[28] with approximately 200 million consumers. 20 and 5 million people appreciate more low-fat cheese and fat-free, respectively (Statista 2020).

One of the reasons for the continued rise of cheese consumption – 11,8 Kg per capita on average in 2019 and projected to rise to 12,2 Kg in 2025 – is the increasing globalization, adaptation to food consumption's habits, premiumization trends and the shift towards a multi-ethnic cuisine, which influenced the ascent of new types of cheeses (AGMRC 2020). Indeed, in terms of consumer's preferences, an increasing consumption was noticed in specialty[29], artisanal[30] and farmstead cheeses[31] (the European-style cheeses) since distinguished attributes such as place of origin as well as bold flavours correspond to a sign of differentiation and a quality gage (Euromonitor International 2020). Specialty cheeses (both imported and domestic) are growing five times quicker than the entire cheese market over the last 10 years due to U.S. population travelling to foreign countries and experiencing distinctive types of cheese, European tradition emphasis on food services in America (such as the fine dining), successful merchandize in retailers, interest in ethnic food and the overall demand for robust flavours (AGMRC 2020; Euromonitor International 2020). As a centrepiece during gatherings cheese is driving premium eating experiences, especially among unprocessed cheeses, that are also increasingly used for cooking (European Commission 2020). This premiumization of cheese has been having a particular effect on the unprocessed category, namely European cheeses as mozzarella, parmesan, gouda and cheddar which are among the most preferred since 2016 as well as more traditional like *Havarti* (Danish), *Kasseri* (Greek-Turkish) and *Cabrales* (Spanish) that are increasing in demand (Euromonitor International 2020; European Commission 2020). In fact, provenance and place of origin are becoming critical buying criteria among more premium cheeses (European Commission 2020).

[28] Made with whole milk containing 4 percent milk fat.
[29] Specialty cheese translates high quality, exotic or traditional origin, distinguished production process, and more premium packaging, distribution channel and availability (not in scale). Includes natural flavours and texture profiles, or flavourings (herbs, spices, among others).
[30] Hand-made production, in small quantities, where tradition is core. Cheeses made through several types of milk and vary in terms of tastes.
[31] Farmstead cheese is an artisan cheese type originated from a farm which uses exclusive milk from the farm's herd or flock.

Furthermore, convenience and suitability for the occasion constitute key drivers for cheese's purchases, particularly as cheese as a snack trend increases. The cheese industry in the United States has been also influenced by a growing demand for snack-sized and healthy cheese products. As the market gets more mature with also an increasing use of premium cheese for cooking and gatherings, cheese in convenient formats for snacking and also for preparing meals is greatly appreciated. The easy usage and the on-the-go packaging have served positively both the unprocessed and the processed cheese, in this last case, an example is *Babybel* which combines taste and format. This trend has given the opportunity to softer cheeses in the unprocessed market (such as grated and cottage cheeses) to broadly benefit from the new expectations of consumers wishing to save time with snacking conveniently packaged cheeses and the youngest people who desire to have a greater protein content valuation of their meals.

Although the premium and snacking trends exist and are growing, many consumers are still highly driven by low price and discounts. A survey conducted in 2017 already revealed the importance of quality (80%) as the primary feature in food purchasing decisions, however, followed by value for money (72%), low price (49%) and lastly brand (43%) (Statista 2019).

Retail Landscape and Market Sales Potential

The cheese market in the United States has faced a particularly constant evolution over the last years in retail value (-0,01% 2015-2019 CAGR) reaching 24188,2 USD million in 2019 and expected to decrease by 1,2% in the next five years. With regard to retail volume, in 2019 the country reached 1884,2 thousand tones sold, experiencing a positive growth (0,01% CAGR 2015-2019) and forecasted to decrease by 1,7% over 2020-2025. In the same year, the cheese sold through large modern retailers - discounters, hypermarkets and supermarkets accounted for 88,6% of the total market retail value. This result is significant and depending on the price level and the large number of retailers that exist, S4 has several opportunities to place its products. In particular, supermarkets and hypermarkets drive retail sales with 42,9% and 39,5%, respectively, followed by discounters (3,8%), independent small grocers (2,9%), convenience (1,5%) and forecourt retailers (1%) (Euromonitor International 2020).

In order to estimate the **cheese market sales potential** in the United States, three main factors were taken into consideration, namely consumption value per capita, target population size and forecasted projections (see Appendix 42). Assuming there is no segmentation in terms of the target population in the cheese segment, the U.S. population as a whole was considered. Based on the previous market identification analysis, the total market sales potential in 2019 was 24125 million USD, forecasting to reach 25158 million USD by 2025. The growth between 2019 and 2025 is relevant, also considering the impact of COVID-19 pandemic.

Entry Conditions

The United States has a strong economic and politic freedom, and commercial openness. It takes part in several organizations and has signed important treaties, namely APEC, A.T.A. Convention[32], HS Convention[33], NAFTA, OECD, WCO and WTO, which enhance the easiness of doing business. In addition, the Logistics performance index - 4 out of 5 - also indicates that the country has strong infrastructures and services associated to make the supply chain entirely reliable. Portugal and the United States have been developing a strong relationship in terms of commercial trade in the past few years with a bilateral trade in goods and services that reached 8,9 billion USD in 2019, 6% higher compared to the previous year (AgroCluster 2020). To further confirm, the country is recognized as the 5th market destination for Portuguese goods exports and largest partner outside European community (Instituto Nacional de Estatística 2020), with cheese accounting for 12% of total Portuguese exports to the United States in 2019 (GPP 2019). Moreover, in the midst of COVID-19 outbreak, the U.S. market was the only recording a positive result in the Portuguese sales of goods (Jornal Económico 2020). This market could become even more critical to the Portuguese exports with the

[32] Customs Convention on the temporary entry of goods.
[33] International Convention on the Harmonized Commodity Description and Coding System.

completion of the *Transatlantic Trade and Investment Partnership Agreement*, which has been arranged between the EU and the U.S. since July 2013 and aims to create the largest free trade area in the world, by eliminating the barriers commercial, customs and non-customs applied on a wide range of sectors of the economy and harmonizing regulations. In light of this, Portuguese companies like S4 could benefit from an accelerated internationalization process.

Currently the penetration to the U.S. market needs to follow some approaches and requirements, namely selecting trustworthy local importer with an import license, obtaining the Certificate of Label Approval, paying all applicable federal fees and customs duties, and requires necessary documentation such as the certificate of Origin, Export Invoice, Transport document (i.e. BL and Air Waybill), Freight Policy (contract of maritime transport under a contracting regime free whose purpose is the transportation of large volumes of merchandise in complete ships) and Insurance Policy (AgroCluster 2020). In addition, the labelling and packaging need to follow the *Code for Food Regulations*, requiring necessary adjustments and the attention to specifications. In general, the inspection time and the fees to be paid vary depending on the type of merchandise and/or the mode of transportation, however, the cheese industry is subject to relatively high average rates and quantity restrictions (AgroCluster 2020). A tariff's increase of 25% ad valorem for agricultural products has been applied by Washington since October of 2019 to several products from EU. In Portugal, the application of this additional duty will have an impact on cheese exports to the United States (GPP 2019). Moreover, ongoing temporary tariffs on European cheese are leading to several concerns for both European producers and the overall cheese industry (European Commission 2020).

Porter's 5 Forces

The following analysis aimed to assess the business competitiveness and external forces that affect the cheese industry in the United States to identify how it can impact the profitability of S4 and adjust the future suggested strategy accordingly.

Concerning the threats of new entrants, barriers to entry are medium. The American consumer appreciates diversified flavours hence the main capital expenditures to incur may come from innovation processes. More taxes certifications are appearing with significant values, creating some concerns in particular for European exporters. Government policies are restrictive and the exports of products from S4's side might take time since the importers need to have authorization. However, large wholesalers and importers already own the necessary documents and knowledge of the market which might accelerate the process. The access to distribution channels is easy due to the existence of many different actors in the market. Besides, given that the market is fragmented, it is assumed that Brand loyalty is relatively low, as also confirmed by the openness of the market to new products, the ongoing interest of many buyers towards low price mainly due to the power of private labels, resulting in low switching costs. Bearing in mind all the abovementioned considerations, the **threat of new entrants** is assessed to be moderate. Although there are a lot of players operating (more than ten thousand including big private labels) offering pleasing prices and diversified portfolios, which can discourage smaller companies, the United States continues to be an attractive market with new opportunities to explore, namely due to premiumization trend, appreciations for European-style cheeses and artisanal offers. Concerning the **threat of substitute products**, as cheese is a very specific product with its uniqueness, it was identified as low, however, the number of direct competitors (companies operating in the cheese industry) is high and should be taken into account. In fact, the large population size and the medium differentiation given by big players, in particular, the ones focus on price, enable the final consumers to switch to other companies. Given that retailers will be the final distribution channels for S4'products, these play also as buyers in B2B terms. The high number of chains presented in the United States and the opportunities in several distribution channels enabled to conclude that the power of these B2B buyers is low, however, the overall **bargaining power of buyers**, both B2B and B2C, is considered to be medium. Analyzing the **suppliers' power**, it also cannot be considered a threat since the American market is highly saturated when it comes to the number of companies raising cattle and in dairy products manufacture (65 508), hence companies can continuously make adjustments on the suppliers according to their demands (ORBIS 2020).

Finally, United States has some important actors in the cheese market, namely *Kraft Heinz* (24,1%) and the leading private labels which record an ongoing growth since 2015 (32,9% to 2020 37,7%), followed by *Sargento Foods* (5%) and the retailer *Walmart* (3,7%). *Kraft Heinz* has succeeded in securing its position with a wide range of goods including diversified cheese categories, ranging from economic options to more premium (Euromonitor International 2020). Even if the retail value of the cheese industry is going to slightly decreased in the next years (–1,2% from 2020-2025), the overall consumption volume is increasing by 3,6%, hence more players will try to consolidate their presence in the market and new small companies as S4 will try to enter, thus the **rivalry among competitors** can be seen as high. The market in the United States is really fragmented, meaning that the rivalry can be particularly significant among big players, however guaranteeing room for smaller companies to enter and satisfy niche targets' needs (Euromonitor International 2020).

Contacts

Furthermore, it might be crucial to contact responsible entities to succeed in exportations operations to United States, namely Direção Geral de Agricultura e Veterinária, United States Department of Agriculture, Animal and Plant Health Inspection Service and Food Safety and Inspection Service. Finally, AICEP Portugal Global (Agência para o Investimento e Comércio

Externo de Portugal)[34] and the Cheese Importers Association of America[35] may also play a key role in facilitating the trade between the two countries.

5.2. Germany Analysis

Domestic Market Overview and Trends

The German cheese market is the 4th largest in the world with 999,5 thousand tonnes consumed in 2019 and it is forecasted to grow in the next five years by 0,75%. In addition, a high consumption per capita at 12,04 Kg is registered, with 78% of the total market represented by the unprocessed category which is projected to grow at 1,6% CAGR vs 2,4% of the processed one (Euromonitor International 2020). Germany is the highest cheese importer in the world accounting for 4379,21 USD million in trade value in 2018 with a significant presence of foreign products, especially Dutch, French, and Italian cheeses that represent almost 58% of the total cheese imports (OEC 2018).

In terms of most preferred cheeses in the country, gouda, a cured cheese, lead with more than 300 thousand tonnes sold in 2019, followed by the cottage cheese category with almost 280 thousand tonnes and by the edam cheese with 224 thousand tonnes. From the most relevant cheeses by type, both gouda and edam cheeses volumes sold have grown from 2018 to 2019, while cottage cheeses have decreased. From all type of cheeses, the one with the highest growth from 2018 to 2019 was the cream and double cream cheeses with a 17% YoY growth rate (Statista 2020). Consumers in Germany are price sensitive, hence the elasticity of the product is high as they are used to a hard-discount approach. Although the country remains a market focused on price, a growing range of consumers is giving more importance to the high-quality and civic statement, which is why gourmet cheese is a growing opportunity to explore. This premiumization trend with niche markets has high relevance in Germany with smaller players

[34] AICEP has an extensive network of more than 200 professionals around the World, aiming to develop promotional activities of Portuguese products in foreign countries, and helping to assist Portuguese companies on the implementation of their business plans in foreign markets.
[35] Responsible for the majority of cheese imports into United States aiming to facilitate the entrance of foreign companies into this market.

continuing to exploit opportunities in more distinctive “exotic” cheeses such as Bulgarian cheese or goat cheese that are becoming popular. This reveals a chance to implement specialty cheeses or other types from goat and sheep in different product lines. Moreover, the concern about sustainability and health is driving consumers to change their purchasing decisions, opting for more organic, lactose-free products or even vegan options, paying also more attention to package and fair trade. Notably, the organic food category was growing the most in recent years (7% from 2018 to 2019), representing the 2nd largest organic market in the world with 4 014 million USD (Euromonitor International 2020) and 5,68% of the total food market (Global Agricultural Information Network 2019). Some dairy companies intend to launch “flexible” grilled cheese formats to cater vegetarians and flexitarians[36], but also offer a desirable option for consumers who do not usually have concerns about eating meat (Euromonitor International 2020). Furthermore, fast-paced and individualist society – single households – are growing, hence the demand for convenience, ready-to-meal and clean label foods is following this trend, revealing a chance for grab and go cheeses and more convenient packages (AICEP 2019).

Retail Landscape and Market Sales Potential

In 2019 the German market reached a retail volume of 795 thousand tonnes, accounting for 8102 million USD in terms of retail value. It experienced a slight value decrease of 0,5% from 2018 to 2019, and it is predicted to remain quite steady in the next years (Euromonitor International 2020; European Commission 2020). Given the current pandemic situation, in 2021, retail sales will face a slight dip in volume and value terms, after the spike observed in 2020, before returning to “normality” in 2022, with generally stagnating year-on-year sales (Euromonitor International 2020). The country, traditionally one of the biggest food producers, is more known by its retail chain than for food brands (AICEP 2019). In 2020, the cheese market sold through large modern retailers – discounters, hypermarkets and supermarkets, accounts for

[36] Growing plant-based diet contributing to healthier habits and lower carbon foodprint. Mainly vegetarian but allows meat occasionally.

86% of the total market retail value (Euromonitor International 2020). Besides the modern retailers, the traditional grocery stores have 9,6% of market share, while the remaining market is represented by mix groceries and e-commerce distribution channels whose representation is quite irrelevant (Euromonitor International 2020). Depending on the price level and the number of retailers that exist, there are different chains where S4 can place its portfolio depending on the product choice (see Appendix 43). *Aldi* and *Lidl* are the most popular hard discounters in Germany, *Kaufland* and *Real* the largest ones among hypermarkets (32 % and 23% market share, respectively) and lastly, *REWE* and *EDEKA* are among the main supermarkets, selling also a more gourmet assortment (Statista 2020). These retailers are also direct competitors of cheese manufacturers considering the significant presence of private labels in the market. A group of specialized retailers with gourmet and organic products are satisfying niches, placing more premium cheeses such as cured cheeses, PDOs and organic references (AICEP 2019).

Considering the three factors consumption value per capita, target population size and forecasted projections – the cheese market sales potential in 2019 was estimated at 8091 million USD, growing at a CAGR 0,3% reaching 8240 million USD by 2025. The small CAGR can be justified by the already high performance of the German cheese market and the upcoming consequences of COVID-19 (see Appendix 44).

Entry Conditions

Germany is the 4th largest economy in the world and the major one in Europe with a critical political and economic influence as well as strong respectable organizations that contribute to the country's stable position (World Bank 2020). The market's international influence is reflected by its presence in the NATO, G4, G7, and G20 organizations (Bundesregierung 2020). Besides, the country is also a member of the OECD, WTO, and the EU, which enhances the easiness of doing business and economic freedom in Germany, reflected by the score of 73,5 in the *Index of Economic Freedom*, the 24th highest in the world (Heritage 2020). Establishing a partnership with a local distributor, becoming responsible for logistic processes from the moment S4´s products are in a certain country, is a desirable approach to international markets to guarantee the transportation and logistics performance's safety and success. Germany scored the highest in *Logistics Performance Ind*ex - 0,054 - meaning that the country provides solid and reliable infrastructures to support a business along the entire supply chain, independently of the entry mode that a company opts to apply (World Bank 2018).

As for food safety rules, considering Portugal and Germany are both part of the EU, S4´s products already comply with the EU food regulations, hence it is not necessary any specific adaptation to this market, rather than packaging and labelling adjustments. Regarding taxes burden, within the members of the EU, any movement of goods and services is tax-free. Particularly, cheese products are subjected to a reduced VAT rate of 5%, which, combined with the free trade of goods, is a positive factor for S4 (European Commission 2020). Finally, the high cheese market potential, the second position in the organic market and the GDP per capita, which confirms a wealthy position (12th highest in the world), are undoubtedly favourable conditions for an expansion to Germany (Euromonitor International 2020).

Porter ‘s 5 Forces

In terms of **threats of new entrants**, barriers to entry are low. In the cheese industry capital requirements are relatively reduced since there are no mandatory specifications to accomplish the majority of the market rather than just niches, that can be covered with some of the existing products of S4, namely the cured-specialty line. The cumulative experience in the industry is quite important given the specificities of the cheese market. In the German cheese industry, in particular, brand loyalty is not that high since the costumers are highly price sensitive. Thus, the switching costs are low. The access to distribution channels is easy considering there is a wide network of retailers, especially modern grocery retailers who account for 86% of the market, although some of these are direct competitors that can prioritize their own products.

Government policies are easy to comply with since most of standards and regulations are the same in the entire EU. Hence, it can be assessed that, given the relatively low market barriers, the **threat of new entrants** is **high**. Despite being difficult to differentiate from the competition, S4 may explore the German niches and the growing organic market, taking also an advantage of the existing contacts with retailers that operate in Portugal and Germany.

Overall, the **bargaining power of buyers** is also **high:** the number of customers in the German cheese market is significant and it is expected to grow; the differentiation is medium given that on one hand, the switching costs are low among the largest discounters since price-sensitive customers tend to push the prices down. However, on the other hand, niche markets demand for differentiated products. In S4's specific case retailers are also buyers. The number of players is high, in particular, there is a concentration in the largest chains hence the customers can choose from a large number of options meaning the switching costs are low. There is also the threat of backward integration, with many retailers producing their own cheese products (private labels). Furthermore, the **bargaining power of suppliers** is low since there are a high number of suppliers within the industry (1913 firms) (ORBIS 2020), meaning that several milk producers can lower suppliers' control over prices. If the current suppliers are not complying with the demands switching to another provider turns out to be easy. The threat of **substitute products** is **low** as cheese represents a special market: the demand for cheese is not affected by the difference in price in the substitute product rather than within the same category.

Based on the analysis, it was possible to observe that the **competition** in the cheese industry in Germany is **high** and the market is highly fragmented, with a significant number of experienced cheese manufacturers. The market is also characterized by several foreign companies, namely, among the largest non-retailer cheese producers the French *Savencia* (the largest non-retailer in the market with also 9% of market share), *Bel Groupe* and *Lactalis*, the Dutch *Friesland Campina*, the Denish *Arla Foods* and the well-known American *Kraft Heinz* stand out. In addition, private labels as *Aldi* and *Lidl* actively lead the market with 31,6% of value share in 2020 and have a critical impact in the market since big retailers compete directly with the same cheese types, pushing manufacture brands to differentiate their products (Euromonitor International 2020). The industry is predicted to increase in the next years, even if at a low pace, considering also the reduced brand loyalty and barriers to entry, besides capital requirements, the competition might increase as well. Hence, the **intensity of rivalry among competitors** can potentially exist due to market saturation, with an ongoing market growth and powerful private labels' in particular in common cheeses' categories, highlighting better opportunities for SME'S like S4 among distinctive cheese flavours and textures.

Contacts

As part of the European Union Germany operates in the European Single Market that establishes a free trade zone of goods, services, capital, and people between the 27 members of the EU and some other European countries through bilateral agreements, meaning that S4 would have to register their business in the Trade Office and Tax Office, as any other business in Germany. Besides, the company can also establish contacts with AICEP, namely contacting the delegate in Berlin responsible to aid Portuguese businesses abroad (AICEP Portugal Global 2020). In addition, other useful entities may be contacted to help S4 in its internationalization plan, such as the Portuguese Embassy in Germany, Germany Trade & Investment which helps foreign companies establishing themselves in Germany and the Association of the German Dairy Industry (MIV), whose purpose is to support the whole dairy industry.

5.3. Canada Analysis

Domestic Market Overview and Trends

Canada is one of the 5th largest global cheese producers after EU 27, United States, Russia and Brazil, accounting for 519 thousand tonnes produced in 2019 (Statista 2020). Even if the country registers a huge production capacity, imports account for 12% of the total cheese market retail value, showing that consumers also value imported cheese from different origins and with distinctive flavours, such as specialties (Euromonitor International 2020; OEC 2020). Moreover, the cheese consumption per capita in 2019 accounted 10,3 Kg and the total volume consumption 385,8 thousand tonnes, which is projected to increase at a 4% CAGR 2020-2025 (434,74 thousand tonnes by 2025) (Euromonitor International 2020). In Canada, the cheese production in 2019 was mainly dominated by specialty cheeses, the most common varieties are cream cheese (21,6 %), followed by the cottage (11,6%) and parmesan with 6,3% (Statista 2020). In terms of consumption, processed cheese and unprocessed cheese are both performing well, however, it is notable that 86% of the market is represented by unprocessed cheese and only the reaming 14% belongs to processed. The pandemic situation will affect sales in 2021, especially for the processed category, but the situation will remain stable afterwards. The overall projections highlight a 4% increase in sales with the unprocessed category (hard and soft cheeses) leading the market. This can be explained by the ongoing healthy trend that Canada is experiencing with an increasing number of consumers opting for more natural and less transformed products (Euromonitor International 2020).

In fact, 2020 is a paradoxical year for Canada. Even though the pandemic situation will lead to a decrease in 2021 results as mention above, the rise of at-home cooking is expected to be one of the reasons for 2022 onwards positive performance. However, the situation represents a risk for the cheese industry since consumers are affected by the economic context and started looking for lower price options. Indeed, impulsive purchases and less adventurous consumption are increasing due to a shift towards familiar products and spreadable, sliced and grated cheese types due to their easiness of usage (Euromonitor International 2020).

Another relevant trend is related to consumers healthy and sustainability concerns. In fact, they are becoming more and more aware of the environmental impacts of their purchasing decisions, hence they started demanding for more plant-based, organic and lactose-free products, as well as vegan options (nut-based, coconut-based winning cheeses), leading retailers to place them in higher quantity at stores, accordingly. Notably, Canada is one of the top 10 countries in terms of organic packaged food market value, which might represent a good opportunity for S4 to explore (Euromonitor International 2020). Furthermore, some other relevant trends to highlight include cheese snacking size options to satisfy younger targets: increasing e-commerce usage, which allows to place and discover a wider and new tasting offer such as specialty cheeses; and finally, the demand for distinctive and stronger cheese flavours such as goat and sheep (Euromonitor International 2020).

Retail Landscape and Market Sales Potential

As Canada is among the best countries in regard to the total consumption of cheese, the retail sales are forecasted to faster increase in the next five years both in terms of volume (1,8%) and value (1,7%). In 2020, cheese products were mainly sold through modern grocery retailers, namely Supermarkets, Hypermarkets and Discounters holding 78,21% of the total cheese sales. Independent small grocers, within the traditional channel, are also an important selling place for S4 as they represent 9,1% of distribution channel for cheese consumption and in which the usual customers' profile evidences the appreciation for the place of origin and tradition of the products (Euromonitor International 2020).

The total **market sales potential** in 2019 was 3658,31 million USD, forecasted to reach 4351,33 million USD by 2025. The expected net evolution of the market between 2019 and 2025 highlight great opportunities in the Canadian market (see Appendix 45).

Entry Conditions

Canada is a stable economic, politic and open market where trade, investments and business opportunities are well established as confirmed by the high score in the indicators *Index of Economic Freedom* (87,9 out of 100) and *Ease of Doing Business* (79,6 out of 100). Furthermore, the 65% value of *Trade (as a % of GDP)* enhances the Canadian openness to foreign importations. Particularly, Portugal and Canada have a consolidated trade relationship: in 2017 Canada was Portugal's 9th biggest goods trade partner outside the EU (European Commission 2017). Established trade agreements such as CETA[37] facilitate the connection between Canada and EU through lower trade barriers as well as the elimination of more than 99% of custom tariffs and higher food safety, workers' rights and environmental standards. Moreover, it contributes to the greater availability of offerings at more convenient prices, such as flavoured burrata, sheep ricotta and more premium specialty cheeses (European Commission 2020). Portugal is among the countries beneficiating from the new trade agreements that came into force. Based on the previous market selection analysis, Canadian logistics, commercial infrastructures, transport services and burden of customs procedure are efficient. Positive soil conditions, large reserves of natural resources and a highly educated workforce are also aspects to be considered. Furthermore, Canada has been experiencing an average cheese market annual growth of 3% since 1993 (European Commission 2017).

Some of the requirements to enter in the Canadian market include firstly find an exclusive and local importer, obtain a Cheese Import License from the CFIA and pass through the Food and Drugs Act[38] to guarantee the products' safety and quality (Government of Canada 2020). As stated in CETA, all dairy products exporters to Canada have to contact the Global Affairs of Canada and the Canada Border Services Agency for import permits, tariff classification and customs information, respectively. Moreover, there are specific tariff quota systems for some European products, particularly dairy and meat. Above this quota, Canada maintains prohibitive duties on the majority of cheese imports at a pace higher than 245 per cent (European Commission 2017, 150).

[37] Comprehensive Economic&Trade agreement which helps the imports of EU products by cutting tariffs and benefitting people and businesses.
[38] Primary federal legislation applied to all foods sold in Canada, considering domestic and imported products (European Commission 2017).

Porter's 5 Forces

Concerning the threats of new entrants, barriers to entry are moderate. The market concentration is high with 82,4% of the cheese market divided among four big players (*Saputo, Agropur Alimentaire*, *Lactalis Canada* and *Kraft Heinz*), which may act as a threat to enter, however as demand for less common types of cheese increases (such as specialties) there is space to explore these niches. The Canadian cheese market experience is strong since it is in a state of "mutation" towards a more responsible and higher valuable product acquisition, hence entering in the market might demand monetary investments in innovation due to the rise of plant-based, sophisticated and distinctive tastes, that used to be covered by only smaller companies and now are getting the attention of the major players. Moreover, a strong domestic production base may be a potential limitation to foreign imports from the EU. The supply management system supports the dynamics of the market limiting opportunities for external manufactures when entering Canada. However, even if the availability is reduced, a good demand for EU cheeses exists. The improved conditions that resulted from agreements such as CETA depend on the market's demand for foreign cheeses, which represents a positive point for S4 potential expansion to Canada. Even though the access to distribution channels may be limited by the strength of the biggest players that control the majority of them, several smaller players are operating in the market, enhancing the potential opportunities to explore niche channels (such as traditional groceries) and e-commerce. Given that the barriers to entry are **moderate** the **threat of new entrants** follows the same line.

As Canadians get older they are less likely to consume dairy goods and express loyalty towards local or domestic production. In addition, the older generation continues to value more quality over price hence for this target group brand loyalty and switching costs are higher. Therefore, Brand loyalty is divided: even if many customers are open to trying new differentiated products, the older generations continue to show some reluctancy, sticking to local or traditional producers (European Commission 2017). Switching costs are moderate since the older generation might miss some good opportunities such as special treatment (special offers, discount) by switching to other retailers. Overall, the **bargaining power of buyers** is **medium** based on the concentration of the market (between the four biggest players), but also on the consumers' demands for tailored offers. The bargaining power of retailers (also buyers) is high considering the concentration and number of them. In Canada private label share is relatively low (5,3%) and there are no expectations to grow in the following years, meaning branded products are highly appreciated and showing that the threat of backward integration is relatively low, since retailer brands do not have an active role in the market. Furthermore, the **threat of substitute products** is **low**. However, some of the trends that Canada is experiencing must be considered, especially the one concerning the shift towards plant-based options that can lead consumers to purchase them instead of regular cheese. The **Bargaining power of suppliers** is also **low** due to the high number of milk suppliers (10,371 dairy farms in 2019) (Government of Canada 2019), enhancing the possibility to switch between existing ones.

Finally, the market is highly concentrated, with 4 top players accounting for 82,4% of the total market: *Saputo* (25,4%), *Agropur Alimentaire* (18,7%), *Lactalis Canada* (18,2%) and *Kraft Heinz* (17,7%). **The rivalry among competitors** is **relatively high** between the 4 top players mainly because they are actively investing in innovation in order to accompany all the market trends for both niches and more general consumers, particularly imitating the approach to the market of smaller players, namely among the vegan, more natural and sustainable products' development. However, given that the rest of the market is divided among less big companies, the expected retaliation is relatively low for SMEs like S4.

Contacts

As a first approach S4 may establish contact with AICEP Toronto and benefit from Portugal Canada Chamber of Commerce and Industry, which helps to promote and facilitate bilateral trade, investment and business development between Canada and Portugal. Their main goal is to sustain the international expansion of Portuguese organizations, but also foster the Portuguese exports to Canada (The Portugal Canada Chamber of Commerce and Industry 2020). Moreover, it is important to highlight that this foreign country plays an active role in multilateral forums, demonstrating their commitment to trade sustainability and prosperity being a member of G7, NAFTA, G20, OCDE, OMC, etc. (Canadian Government 2020).

5.4. Japan Analysis

Domestic Market Overview and Trends

The Japanese traditional cuisine usually does not incorporate many dairy products, hence there is not an education regarding cheese as in several European countries (EU-Japan Centre for Industrial Cooperation 2017). However, the cheese category is expected to increase progressively, and notably in 2019 had already registered positive results with a total volume consumed of 247,9 thousand tonnes and forecasted to grow by 3,42% CAGR in the next five years, reaching 270 thousand tonnes by 2025. The market is balanced within both main cheese categories (unprocessed and processed), namely hard cheese in unprocessed, which indicates good opportunities for both. Despite a relatively low consumption per capita in 2019 (1,96 Kg) compared to all the other countries previously analyzed, the demand far outweighs local production, which makes Japan distinguish itself for the number of cheese imports mainly cream cheese as well as specialties. Additionally, 35% of the imported natural cheese is used for domestic production (Euromonitor International 2020; Cheese Market News 2015).

Japanese consumers' key purchase drivers include the dairies' quality and health added value. However, the price also frequently affects the purchasing decision since a higher value might discourage people to try and buy particular cheeses, which can be seen as an obstacle for cheeses' importations as they usually have higher prices than the domestically produced ones (European Union 2019). Flavour-wise, softer and mild cheeses are the most preferred ones due to their low level of salt, hence processed cheese, as well as mozzarella and cheddar, are highly appreciated. Nevertheless, stronger flavours are usually less popular and consequently the availability in the market is lower. In fact, sheep and goat cheeses such as feta are not highly valued due to their unique and slightly rich flavour (European Union 2019). The consumption of soy products as tofu, natto, and soy sauce is particularly valued among the Japanese culture. In this sense, many adult Japanese citizens shift towards plant-based dairies as an alternative to milk to avoid digestive concerns (European Union 2019). It is also worth to mention that most Japanese are lactose intolerant, however, the market does not pay the necessary attention to this demand showing a limited availability of lactose-free dairy products (European Union 2019).

Health concerns have been particularly highlighted after the COVID-19 outbreak with a lot of consumers paying more attention to their eating habits, which positively affects the cheese sales. Cheese has increasingly been perceived as a healthy good given its benefits related to rejuvenate blood vessels and as a rich calcium's source. Thereby, as Japan has a rapidly ageing population, this can potentially increase the cheese consumption (European Union 2019).

The domestic cheese market continues growing driven also by the ongoing demand of consuming cheese as a snack to eat at home or during social gatherings, as well as a cooking ingredient. In addition, as the Japanese wine consumption increases, namely after 2015, the cheese category has been registering a steady rise since it is one of the best complimentary products (Cheese Market News 2015). Finally, cultural issues highly influence the purchasing trends in Japan as many buyers intend to show social status. The tendency is to buy small luxuries, with Japanese paying a lot of attention to finishing touches, preferring smaller serving sizes with quality. Notably, colours in Japan are attached to emotions having symbolism, hence the labelling and branding must be considered (European Union 2019).

Retail Landscape and Market Sales Potential

In Japan, retail sales are predicted to positively grow in the next years. With a value of 2019 at 4037,7 USD million the forecast is to increase by 2,8% over the next five years. Accordingly, volumes will rise 1,8% by 2025 (Euromonitor International 2020).

Multi-layered distribution is usually the main channel model in the Japanese market, where wholesalers, producers, traders and retail chains have a wide networking and active relationships among them. Within the retail sector, most dairy products are present in grocery retail chains (57,1%), being supermarkets the biggest segment (49%), and after convenience shops (6,7%), with a very low representation of traditional grocery stores that account for only 1,4%. Besides, mix retailers have also a significant presence in the market, with 31% of market share (Euromonitor International 2020). Some of the top largest supermarkets in Japan are *AEON*, *Ito Yokado* and *Familymart UNY Holdings* and potentially S4 might directly sell to them, however bearing in mind the eventual necessity to provide large volumes as well as respect specific criteria for imports and sales that stores impose (European Union 2019).

It is crucial to mention that domestic and imported cheeses' distribution channels vary, while the first is mainly found in convenience shops and supermarkets, the second ones are placed in more specialized stores. The number of convenience stores in the country has been increasing due to its recent popularity with Ready-to-Eat Meals, being the main operators: *Seven Eleven, Family Mart* and *Lawson*. Moreover, the popularity of the Japanese e-commerce channel has been increasing, with *Rakuten, Amazon Japan*, and *Yahoo! Japan Shopping* as the key companies in this sector (European Union 2019). Notably, the total **market sales potential** in retail value in 2019 is 4037 USD million, is expected to reach 4945 million USD by 2025. The forecasted CAGR (3,44%) reflects the increasing demand for cheese in Japan regardless of the COVID-19 effects (see Appendix 46).

Entry Conditions

Japan is the 30th freest economy in the 2020 Index, with an *Economic Freedom* score equal to 73,3, that had increased by 1,2 points mainly due to an improvement in fiscal health (Heritage Foundation 2020). Among several countries located in the Asian-Pacific region, Japan ranked 8th, being its overall score significantly above the regional and world averages (Heritage Foundation 2020). In terms of EU agricultural exports, Japan is in the top four, being the 4th biggest country. The tax burden percentage on total domestic income equals 30,6 which might not be the most positive indicator. However, offers regarding subsidies, tax credits, and other incentives are given by the Japanese government to attract foreign investments (Heritage 2020). Moreover, the market in Japan faces high regulations, constituting a threat to European exportations (European Commission 2019). The most critical challenges are both tariff and non-tariff requirements, namely technical issues and regulations, complex and long procedures and high costs of compliance. Nevertheless, the recent EU-Japan Economic Partnership Agreement[39] will contribute to the foreign access to the country, excluding or reducing tariffs and overcoming non-tariff challenges. In this sense, the EPA will potentially benefit EU exportations to the Japanese market, also for key agricultural products, processed agricultural products and cheese (EU Business in Japan 2018; European Union 2019).

Porter's 5 Forces

In the threat of new entrants' analysis is observed that the barriers to entry are relatively high. Firstly, high capital requirements might be needed, considering that there is a preference in the market for high-quality and more specific cheeses (for instance lactose-free) and R&D investments may be necessary to develop new and innovative products thus matching the target demand**.** Moreover, the cumulative experience in the market based on previous acknowledgement is crucial to succeeding in meeting new market trends and preferences. The

[39] EPA is an economic arrangement that eliminates barriers to the free movement of goods, services, and investment between countries.

Japanese cheese consumers tend to look for high-quality products, that reflect a status, meaning they care about the brand showing their high brand loyalty, hence big switching costs as well. As for the access to distribution channels, there is an extensive network, however, some requirements are needed (for instance in the supermarkets – the biggest channel – might be necessary to offer large volumes and specific criteria for imports), which might represent an obstacle when trying to access these channels. Government policies concerning food regulation are strict especially compared to EU standards. For companies in the dairy industry a certificate for animal products obtained from a relevant authority is required when doing business in Japan. New AQS provisions, set in 2017, defined new regulations for inspecting dairy goods, but not applicable to any processed products (European Union 2019). As for taxes, the EU-Japan trade agreement facilitated the trades of goods between the two parties in particular products like cheese, with an import tax of 30%-40%, show a higher openness to enter in the Japanese market. It is concluded that the **threat of new entrants** is **medium** considering the market is growing and is likely to attract more companies, although the barriers to enter the market are high.

The **bargaining power of buyers** is perceived to be **high**. The number of customers in the Japanese market is low, however, it is forecasted to significantly rise in the upcoming period. The differentiation level is relatively high considering there is a demand for high-quality products with specific attributes, still, some consumers tend to push prices down and the EU-Japan trade agreement might support it. As previously stated, in S4 perspective it is also important to consider retailers as buyers. Considering the wide diversity of retailers, with many alternatives growing, such as the convenience stores, non-grocery specialists, and e-commerce, the **bargaining power of retailers** is **medium**, since the high concentration in the market for supermarkets should also be considered. The threat of backward integration in the market can be disregarded given the preference for high-quality products over private labels. As for **suppliers**, their **bargaining power** is **medium,** based on the number of companies in the operating of dairies and cheese making industry compared to the ones raising dairy cattle and manufacturing dairy (415 vs 1213) (ORBIS 2020). **Buyer propensity to substitute** is **low**, given that cheese is a unique product, however, the lactose-intolerance issue in part of the population can act as a threat increasing the substitutes rate.

Finally, the **competition** in the Japanese cheese market is high, with a significant number of producers. *Megmilk Snow*, a local company, leads the market with 28,1% share, followed by other Japanese companies, such as *Rokko Butter*, *Morinaga Milk*, *Meiji Co*, *Tokyo Dairy* as others, with the French Company, *Bel Groupe* (being the foreign exception), all with a market share lower than 11,3%, translating into a fragmented market with several smaller players operating. As Japanese consumers tend to prefer high-quality products, private labels are less valuable with only 3,2% market share. This leads to assuming that brand loyalty is higher in comparison to other regions (Euromonitor International 2020). Bearing in mind the high growth expected of the industry and the openness to foreign companies due to trade agreements, the number of **competitors** and the **rivalry** among them is expected to increase accordingly. In light of this, S4 might face some challenges which are offset by the growing demand for high-quality products leading several companies to see a chance in placing specialty cheeses, namely the ones with less strong tastes given the consumers' reluctancy to stronger flavours.

Contacts

Japan has been a reliable agriculture and food trading partner for Europe continuously focused on importing EU goods and establishing useful contacts. In details, these associations and institutions may be important to exploit business opportunities in loco: Portugal's Embassy, AICEP in Tokyo, JETRO, Financial Services Agency, The Tokyo Chamber of Commerce and Industry, MIPRO, JSA and Bank of Japan (AICEP 2018). For S4 there may be many opportunities to a successful entrance, considering the long-term trading connection between both regions and the newly EPA, which leads to several benefits.

5.5. Target Market Selection

Based on the in-depth analysis of the four countries selected, United States and Germany are the target markets recommended for S4's expansion and consolidation. Canada was not chosen since it has the worst sales potential among the four and it is in the same region as the United States (North America). By comparing them directly it is noticeable United States is more promising. Japan was also disregarded as it would be the riskiest market to target: although it is trying to make entry conditions easier and increasing cheese consumption, dairy products are still less present in their traditional culture, namely due to the food habits and the high number of lactose intolerants, which may impact the expected sales. In addition, consumers' preferences towards less strong flavours would limit S4 from taking the full potential of commercializing cured cheeses and PDOs, which are the product lines usually exported overseas. The U.S. and German cheese markets are significantly the most attractive worldwide, registering both high levels of cheese consumption per capita, economic and trade stability, established trustful relationships with S4's domestic market as well as solid and reliable logistics and service infrastructures to support a business. Furthermore, the wide retail network in both countries would facilitate the access to distribution channels, enhancing the possibility to reach a broader and diversified range of consumers. If on one hand the U.S. cheese market distinguishes itself for the highest global retail value of 24188,2 USD million in 2019 which is forecasted to grow faster than Germany (2020-2025 CAGR 3,6% vs 0,75%) and the presence of the largest Portuguese community in the world (roughly 1,5 M people) that may facilitate S4's entry in the market, on other hand Germany is the highest cheese importer in global comparison, with low barriers to entry for European companies. While in Germany there is a reduced VAT rate of 5% for cheese and the tax free for any movement of goods and services (European Commission 2020), a Portuguese company as S4 that exports to the United Stated needs to expect a tariff of 35% and an extra import permit's value that might be added depending on the type of milk. Each commercial import of food and beverage goods shipped to U.S must fill the Prior Notice via electronic platform, namely a 5-day prior notification must be received by the FDA before the arrival of the products (European Commission 2020) as well as register their goods with the same organization for admission as each year the import permit for milk should be renewed. Overall, S4 will have to comply in both markets with the health and food legislation and regulations, governmental policies and certifications (i.e., U.S. FDA in United States and Animal health legislation in Germany) as well as more restrictive labelling and packaging requisites (European Commission 2020). More specifically, in United States all required statements must be in English and both labels must accurately describe the specifications of the products, such as the milk base, place of origin and nutrition declaration (Federal Ministry of Food and Agriculture 2020). Particularly to sell products in Germany, S4 needs to have certification on PDOs and a DNA test on goat cheeses[40] (see Appendix 47).

Finally, the high number of players operating in both markets and the notable level of rivalry, with private labels continuously gaining market share, at first sight may appear as a discouraging signal for the expansion, though, S4 may take advantage of the new emerging trends and opportunities within niches. Particularly, in United States with the increasing demand for European high-quality cheeses – namely specialty and artisanal - recognized through the place of origin and the unique and robust flavours and in Germany with the growing demand for premium diversified cheeses. Moreover, consumers in both countries are more concerned about healthy, organic and snack-sized options which may reveal another opportunity for S4 to increase its popularity and distinctive position worldwide. Since both countries show a great potential in terms of cheese consumption habits, market size, expected sales and explorable new trends, a multiple expansion approach is recommended.

[40] Information provided by S4.

7. Marketing Plan

Having reached this fundamental stage of defining the ideal entry strategy and the business model that will guide the entire marketing initiatives, it is time to consider and plan for specific marketing actions. Given that the current approach to both United States and Germany is not sustainable or effective on contributing to the S4's brand image and sales and that the strategy defined for both markets is the **focused differentiation** towards the specialty cured line, a detailed marketing plan will be defined in order to successfully target the niche markets, not only focused on its products' attributes but on creating brand meaning and experiences to differentiate the company's offers from competitors (Kotler et al. 2004).

The decision and assessment of the marketing initiatives will be decided together with the experienced partners *Norseland Inc.* and *Heiderbeck* in United States and Germany, respectively. Since markets are constantly changing and innovating it is crucial for S4 to quickly adapt to macro[56] and micro[57] environmental forces and consider some of the most relevant tendencies, namely digitalization and e-marketing, globalization and social-environmental responsibility (Kotler et al. 2004). Thus, the proposed plan will have a deep focus on digital marketing which will allow S4 to accompany the abovementioned trends and more quickly build brand awareness and succeed in its internationalization process.

7.1. S4's Current Strategy & Positioning

In order to meet the defined value proposition and successful penetrate both foreign markets with the cured-specialty line, it was necessary to firstly assess S4's current marketing strategy in the domestic and towards international markets, thus allowing to identify the potential adjustments and key marketing initiatives.

By offering such a wide portfolio of cheeses and targeting all market's segments with different needs (from consumers that value the nutritional attributes and softer flavours with

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[56] Political, social, economic and technological issues.
[57] Suppliers, competitors, costumers etc.

low calories (such as the fresh line) to consumers that appreciate tradition, place of origin, uniqueness of flavours and strong taste (such as cured line)) the company's marketing efforts have been oriented mainly towards each product line, namely in terms of adapting colours, packaging, communication of the products. Even though the main focus on a product-oriented strategy enhances the efforts of the company on each product, this creates some inconsistencies among the lines and an overall less highlighted umbrella brand, namely S4's positioning and identity as a high-quality experienced and trustful brand. In particular, the company's values namely 100 years of experience, quality standards and PDO's offer, that should be communicated to consumers to build awareness are being compromised. When compared to the other two firms that lead the Portuguese market (*Bel Portugal* and *Lactogal*) as well as international brands present in United States and Germany (further detailed in the competitive analysis) the brand recall and recognition is less strong. In fact, the lack of digital marketing (paid and organic advertising such as Google Ads, SEO or SEM) as well as less efforts on communication in the most traditional forms (i.e. specific S4's highlights on leaflet or promotion strategies in supermarkets) are potential obstacles in the process of consolidating the brand identity and recognition and effectively reaching an international customer base in United States and Germany.

Moreover, by having social media platforms in Portuguese and only the website with the English option S4 is not taking fully advantage of these effective tools in such digital era, being less likely to be reached by international consumers. In addition, these accounts are mainly used to promote and communicate the fresh, cottage and bio lines through recipes, engaging and colorful images, while the specialty cured category is less emphasized in terms of communication design and frequency of pictures. This communication strategy mainly turned towards some product lines might be justified by the fact that S4 leads the domestic fresh market and aims to maintain its position, as well as by the recently released bio line, that accompanies emerging trends. However, it might hide some downsides when an international expansion involving exporting other types of products is considered, for instance in the case of the specialty cured cheeses that are the ones exported the most to foreign markets by S4 and the most promising line previously selected to United States and Germany. The brand identity that is less enhanced in the domestic market compromises the international expansion's strategy of the company to both countries, where the company's efforts are exclusively on free trails and promotions. This is negatively impacting the distinctive positioning that the company aims to achieve.

A SME whose goal is to reach attractive markets should invest in developing updated and innovative marketing strategies tailored to consumers' demands, especially in countries such as United States and Germany where the competition is high and solid.

7.2. Competitive Landscape in United States and Germany

Bearing in mind S4's size, current strategy and the positioning the company aims to achieve in both markets, it is important to carry out a competitive analysis to assess how are similar specialty cured cheese players performing in the market. Given the wide offer of specialty cured products in both markets and simply for the purpose of narrowing the analysis, the attention is focused on the brand's portfolio of the suggested strategic partners. In fact, all the brands that are among *Norseland Inc.* and *Heiderbeck* portfolio are assumed to be S4's first competitors since they are represented by the same ally and will be potentially placed in the same final distribution channels. It is worth to mention the digital efforts all show, namely in the strategic partners' and brands' website, social media and overall digital promotion.

In United States, regarding European products, S4 will mainly compete with the brand *Jarlsberg*, one of the favorite European specialty cheeses consumed by Americans, the Spanish brand *Garcia* Baquero, the British specialty cheese *Ilchester* as well as *Old Amsterdam* and *Parmissimo*, with its PDO product, namely Parmigiano Reggiano. All these brands enhance specific characteristics from their region such as tradition, high-quality, market expertise, strong flavours, which are similar attributes to S4's value proposition. All the abovementioned competitors may take advantage of the longer presence in the American market and the particular focus they have in regard to the specialty segment. Besides the competition from the suggested potential partners' brands, S4 will face other specialty cured competitors in the U.S. market such as the well-known *Murray's Cheese* with all its American and European broad specialty lines (Murray's Cheese 2020). This specialty food producer and retailer located in New York (East Cost) is particularly famous for producing its own-branded specialty cheeses and importing others. By deeply analyzing the company's portfolio is possible to identify the cheeses that are more similar to S4's cured offer, for instance *Vermont* (American), *L'Etivaz* (Swiss), *Roomano* (Dutch), *Fulvi* (Italian) offer strong flavours cured cheeses that enhance tradition and regional quality.

The potential German competitors are identified by looking at *Heiderbeck*'s retailers' segment such as *Rewe* (Rewe 2020) and assessing their portfolio range in the specialty cured category. More specifically, the German cheese *Altenburger Ziegenkäse* made from goat and cow milk and also European artisanal specialty cheeses such as *Beemster Royaal* from Netherlands and *Alois Canton Anton* from Switzerland. It is important to bear in mind that the European cheese offer (especially from the Northern regions) in the German market is wider than in United States, hence the efforts required to emphasize S4's cured cheeses' uniqueness should be stronger.

As consumer needs and market trends in both markets are continuously changing and innovating, S4 needs to quickly and efficiently accompany them in order to bet the competition and reach a closer position to the market leaders.

7.3. Marketing Objectives

Strategic and clear marketing objectives represent the core of the marketing plan as they define a straightforward plan and main goals for S4 to achieve within its internalization process. Following the previously set strategic objectives in the high-level defined business model, namely **Increase Sales**, **Market Share** and **Grow Customer Base**, a set of specific marketing objectives were established and will drive further actions explored in the developed marketing mix. Moreover, monitoring marketing objectives KPIs will be presented to measure them accordingly. Both qualitative and quantitative, short- and long-term actions are set assuming the defined one-year period assessment (yearly reports) in the short-term and a 5-year contract period in the long-term.

Despite already being present in the two target markets, S4 continues not being able to consolidate its international presence, so creating brand awareness among new consumers is the first objective to achieve. This will be followed by continuous effort to maintain existing customers by build customer loyalty and acquire new ones through offline and online channels. In pursuing the abovementioned objectives, the company is recommended to grow its digital presence.

1. **Build brand awareness:** the main idea behind this objective is to make niche customers familiar with S4's value proposition as well as brand, logo and messaging, so that it can expand its reach to a wider customer base. If this objective is attained, then S4 will increase the depth and breadth of its brand awareness, namely by obtaining recognition (depth) and recall (breath) at purchase and consumption (Keller K. 2013). For instance, creating "S4's stickers' card" (2 purchases give the consumer 1 stick. When the consumer reaches 5 sticks, S4 will provide a 20% discount on the next unit);

2. Develop brand loyalty: S4 will focus on building a deeper engagement and affinity between its customers and the brand. To do so, the company will reward loyal customers that purchase its products on a continuous basis:

- Provide discount to customers on bulk buying: in the purchase of 10 items at the same time, a final discount equal to 10% will be provided to show appreciation for the loyalty.
- Invest in customer service to help and answer all the questions coming from social media as well as the website and establish a good relationship with each one of the customers.
- Create a common section on the website to encourage consumers' discussions, ideas' sharing and feedback for attracting more people in each market specifically.

3. Grow digital presence: it is important to increase the digital marketing efforts, such as organic search through search engine optimization (SEO), social media platforms, website development as well as paid advertising in relevant cheese related platforms.

- **Invest in organic marketing** through SEO, SEM and Google Ads as well as in paid advertising (i.e., online banners in relevant cheese-related blogs and websites);
- **Develop social media (Instagram and Facebook)**: create international social media accounts, build engagement, run social media ads during optimal times, launch challenges where customers can engage with the brand and possibly win a prize, which consequently can make them brand advocates, and partner with local and international food related influencers (5 partnerships in the first year, and 25 by 2025 for each country). The main goal is to increase the social media reach and leads trying to tackle 0,01% of the East Coast U.S. population and the entire German population, namely 11,800 people in United States and 8,300 in Germany, being the goal by 2025 to increase these values by 2%.
- **Optimize website**: quick access, mobile friendly, intuitive, updated information, a review section with positive comments and tab for cheeses' news and recipes' ideas. The website

optimization will be a critical point since it will serve as a potential source for both new B2B and B2C opportunities.

- **Engage in email marketing:** S4 will segment its list by the different stages the customers are on the customer's journey (trigger, consider, evaluation, buy, advocate and possibly enter in the loyalty loop), (Keller. K 2013) such as new subscribers or engaged consumers and create personalized messages to send them during the different phases of the process.

Some KPIs will be taken into account to evaluate if the performance of the company is aligned with the marketing objectives. The most important ones are the following:

S4 will align its strengths with the potential segments of customers, segmenting these niche customers (B2B - final retailers and B2C - final consumers) into micro-segments that can be served developing specific relations with them and a solid positioning to handle competition. (Kotler et al. 2004). Since S4 will market both B2B and B2C customers, the future decisions will take both groups into account.

7.4. STP: Segmentation, Targeting and Positioning

Segmentation

As previously mentioned in the Business Model, the company will target niche costumers in both United States and Germany. Segmenting the market into separate groups of buyers with different needs, characteristics, or behavior is paramount for S4 to profitably serve a certain group of people (Kotler et al. 2004) and be able to direct all its efforts to the right customers. The segmentation approach will help S4 to understand the main patterns that drive consumers to purchase or not the specialty cured products.

The analysis is applicable to both United States and Germany following a multi-criteria approach based on the main segmentation variables, namely geographic, demographic, psychographic and behavioral. This practice allows to identify the most attractive niche segments and reveals in the end the better-defined target groups. Both B2C and B2B groups are segmented into micro-segments, allowing the company to have a better focus on the offer it wants to present.

First and foremost, as it was strategically defined S4 will try to penetrate a single area in U.S. taking into account the proximity to Portuguese communities and the potential of the region hence the most promising region is the East Coast in U.S. at least in the first year, while the entire country in Germany (**geographical criteria**).

Regarding **B2C** in both countries, the identified potential consumers are in the adulthood, being an adult in Germany anyone above 18 and in the United States above 21. Customers assumed as the best category for S4 are the ones belonging to the middle and upper class. In the United States, the middle class categorize inhabitants with an income situated in between 40,500 USD and 122,000 USD whereas the upper class lays on those earning more than 118,000 USD a year. In Germany, inhabitants with an average year income between 17,952 EUR and 33,648 EUR are part of the middle class and the ones with an annual average income between 33,660 and 56,076 EUR **(demographic criteria).**

Furthermore, segments are identified taking into consideration lifestyle and consumption habits, being the *experiencers* the ideal group of consumers that shows the highest interest. In fact, they highly value the eating and tasting experiences among cheeses, they show motivation to purchase and try different products (some stick to American varieties, while others more or less appreciate the European specialties), usually deviating from the more common trends as they appreciate new ideas, unique distinctive flavors and products, which they, as social people, enjoy sharing **(psychographic variable).**

On the basis of purchase occasion, both regular and special moments are both potential purchasing drivers, in particular considering the frequency of singular social gatherings where the specialty cured cheese are highly consumed. Special celebration days and events such as Easter and Christmas markets in Germany and Independence Day, Superball and Thanksgiving among others in the United States are good opportunities for S4 to explore since these gatherings entail quality food and tradition.

Moreover, given the high variety in terms of flavors, textures and curation lengths of S4's cured specialty cheeses, the company can reach a broader customer base with specific preferences and benefits sought (for instance, German consumers show an increasing preference for goat cheese). In the short term a company should focus on potential and first-time users, due to the low brand awareness in the beginning, and the ones that have already tried its products and might increase the purchases' frequency. On a long-term basis the attention might lay on retaining the existing customers and attain new ones based on WOM (word of mouth), brand awareness and strong positioning, namely potential, regular or heavy users that have engaged in the loyalty loop. Finally, S4 expects to have intended and desirous-to buy consumers with a positive attitude and behavior towards experiencing S4's specialty cured cheeses and recognizing the value of the brand **(Behavioral criteria).**

On a **B2B** approach several variables will also be taken into consideration. Given the aforementioned **geographical** variable, that serves both for B2C and B2B, S4 will assess with its partners the final distribution channels, namely the retailers and other potential chains to place its products. The choice regarding retailers will focus on companies with an established relationship with *Norseland Inc.* and *Heiderbeck* (to facilitate the process) that operate in the food market, specialized stores in the gourmet category or more specifically specialized cheese retailers.

Given the narrow differentiation strategy S4 aims to follow in both markets the attention is focused on retailers that do not compete on price (cost-driven), but rather on quality, for both products and services. These will be the perfect fit for S4 as they follow an experienced-based product offer with a strong and personalized approach to consumers (for instance in terms of marketing in the point of sale) **(Purchasing approaches variable)**. Moreover, the buyer-seller similarities have a critical impact on the marketing success. Indeed, the selected retailers will share S4's values, namely quality, tradition, local production, place of origin, among others, being more or less involved in selling typical European cheeses **(Personal characteristics variable).**

Then, S4 will assess and identify the user status of their retailers in terms of orders' frequency, namely heavy, medium or a light user, being the latter the most attractive choice for a SME that penetrates the market since heavy retailers require further production adaptation and cumulative understanding of the market. However, in the long-term, medium-user retailers might become more valuable as the orders start being leverage without exciding capacity. Furthermore, in the best-case scenario when a company starts being more recognized current non-users might turn into light or medium users, overall contributing to increase presence and sales in the country **(operating variable).**

Since the goal is to build a strong business relationship, which allows to pursue the marketing objectives defined previously (i.e., sales, profit, brand awareness and loyalty), the retailer needs to fit S4 and the partners *Norseland Inc*. and *Heiderbeck*'s purposes. In particular in terms of delivery service and volumes' demand, the retailers' choice ground on those that aim a feasible deliver in such a time that the consumers purchase decisions will not be limited, and larger orders, but as mentioned before a light user in terms of frequency in order to not compromise S4's production and delivery times capacity to United States and Germany **(Situational variable).**

The assessment of all the above-mentioned criteria, considering both consumers and businesses, allows to clearly define the main micro-segments that S4 may potentially target in both United States and Germany (see Appendix 58 for more details). On one side, regarding **consumers**, the detailed identified segments are:

B2C - Segment 1. The first-time consumers that are situated in small-medium American East Coast and German cities and belonging to the middle class and upper class, that go to specialty stores when seeking for new tastes on special occasions, even if on a regular basis rely higher on mainstream cheeses given the higher availability in their home region like mozzarella, gouda and cheddar. The consumer is desirous and intends to buy a cheese that will bring him/her high value due to its benefits.

B2C - Segment 2. Middle and high-income people from the American East Coast and all the big cities in Germany, that are regular cheese consumers that mainly buy the most common American/German cheeses, disregarding foreign products. They only buy specialty cheeses on special occasions but on a long-term basis they can become potential or even regular users of specialty cheeses and will stay interested into this type of cheese. They are not loyal to brands and products; they consume because they always look for new items and benefits products can bring.

B2C - Segment 3. The potential, regular and heavy customers spread across the entire East Coast in U.S. and German biggest cities with an experiencers' profile type, that belong to the middle or upper class, that show intention and desire to buy and consume regular and specialty European cheeses, favoring high quality and diversified options for daily occasions and specific celebrations. They are active and enthusiastic to discover new cultures and cheese products with different flavors and textures that reflect the country of origin and tradition behind production.

Regarding **B2B**, the micro-segments are:

B2B - Segment 1. Slightly specialty food-oriented retail chain or HORECA that distributes only some specialty cheeses having a medium reach in the East Cost (U.S.) and a focus on the biggest German cities. Usually buys most common cheese lines but also seeks for specialty cheeses to complete its existing portfolio, aiming to bring the final consumer an appetite to purchase again. The retailer favorizes medium size orders due to its size and wants to target a very specific set of consumers, that are regular cheese consumers, taking high risk to attract and retain them. The focus on European cheeses is medium-low, being the American or German locally produced cheeses highlighted and offered the most.

B2B - Segment 2. A food retailer company with few gourmet food delicatessens and a low reach in the East Coast and Germany that purchases cheeses on a regular basis and differentiate itself by its positioning. The retailer is less focused on quality and negotiates prices to compete on price with the other players in the market, being interested in large volumes' orders.

B2B - Segment 3. A retail chain or HORECA whether focusing exclusively on cheese offer or having gourmet food delicatessen, with a singular attention to European specialty cheeses, with a high reach in the East Cost (United States) and the entire Germany. The retailer shares values for quality, tradition, origin and local production to increase its portfolio and its offer appeal, competing on quality rather than price. It makes strong efforts both on promoting and providing a high-quality service, benefiting fast but feasible delivery time from its suppliers in order to never compromise the unique demands of its clients and medium size volumes' order frequency.

Targeting

After having evaluated different segmentation's options, **Segment 3** in both B2C and B2B are the ideal profiles to target, being the most attractive and profitable for the company. In fact, geographically, both groups will be highly present around the East Coast in United States and in the German biggest cities. The U.S. East Coast area is composed by 14 states from Florida to Maine and accounts for one third of the total U.S. population (World Population Review 2020) including some of the main cities such as New York (8,6 million), Jacksonville (Florida), Boston (Massachusetts), Charlotte (North Carolina) and Baltimore (Maryland) as well as the biggest Portuguese communities (i.e. New Jersey and Florida). In Germany potential target places are the biggest cities: Munich, Berlin, Hamburg or Cologne where the population density is very high, meaning that S4 will have a higher chance to reach the target it is looking for.

Regarding B2C, the target identified matches perfectly S4's value proposition and the strategy adopted as well as the type of retailer the company is looking for. In fact, the final ideal consumers purchase in those chains that better fit their needs. Namely, the consumer target includes potential regular and heavy consumers in the adulthood, that enjoy travelling and discovering new cultures, with a particular appeal for European gastronomy, belonging to the middle and upper class. As in the United States and Germany the trend over a premiumization towards distinctive flavours and textures cheeses is increasing, the target segment are individuals and families that appreciate specialty cured cheese on both regular and specific occasions and enjoy events that bring people together with good foods and beverages. Cheese normally has its place into this type of events, creating moments to share, and discussion times over the product's attributes, origin, culture, among others. More specifically, these are open and keen on new premium quality experiences, who challenge their consumption habits with new tastes and diversified foreign traditions (*experiencers customers*), that are willing to pay more for an exquisite quality tasting moment. S4's products tell a real story, and the target consumers are the ones ready to embrace it.

The B2B profile chosen (Segment 3) reflects also the attributes and characteristics of this final consumers' target profile. In particular, the targeted future retail segment will exclusively operate in the specialty cheese category or also offering a broader gourmet portfolio, highly focused on high-quality and tradition. Ideally it shows a singular attention to the promotion of its products and their history, providing a great service to its customers. The retailer competes in quality over price and will be targeting potential and regular users on a short-term basis and heavy users on a long-term basis with fast deliveries and medium-size orders to S4 and its partners.

S4 will reach the ideal targets leveraging on the strategic partners *Norseland Inc*. and *Heiderbeck*'s capacities and full benefits of a wide distribution channel network.

Positioning

In this section S4's marketing positioning will be detailed in order to give its products a clear, distinctive and desirable place in the market and in the abovementioned selected targets costumers' minds. By assessing the targets S4 aims to achieve and the competitors' position in the market, namely evaluating the *Points of Parity* and *Points of Difference*, it was possible to define the final S4's positioning statement, which highlights the identity, the point of distinctions and value proposition of the brand and the specialty cured line.

The *Points of Parity (POP)* and *Points of difference (POD)* identified in the American competitors present in *Norseland Inc*.'s portfolio is related to format, flavor, place of origin, awards, recognition and taste. In particular, the main POP are in terms of format and flavor, where each product presents some strong specificities, being the texture harder or softer, a flavor more aromatic and spicier or less strong and the format options (wheel, sliced, snack, cube etc), that are different compared to S4's products. The local production, European culture's attachment, easiness to pair with complementary products such as wine during gatherings, traditional production process, being strong players in the domestic market and awarded recognized products represent unique aspects shared by all the aforementioned brands (see Appendix 59).

In regard to Germany, the main *Points of Parity* among S4 and competitors are the specific traditional characteristics and the easiness to pair products, as well as the local production. However, in term of *Points of Difference*, the format, flavor and awards vary (see Appendix 60).

In this sense, S4 aims to position itself leveraging on extremely specific attributes such as the high-quality, authenticity, tradition, experiences. The brand has created its point of distinction with manufacturing distinctive products, being one of the biggest players in the Portuguese cheese market, incontestable leader in the fresh cheese line and a reference for cured specialty cheeses. For the two international target markets S4 will adjust its positioning taking in consideration the needs of the American and German consumers, both B2C and B2B. In order to transmit S4's core values and quality products to every potential client the following global positioning statement is suggested:

"For every consumer that values high-quality, authenticity and pleasant eating experiences, S4 offers diversified specialty cheeses with strong and soft flavors, hard or more creamy texture, bringing its 100 years' experience and the Portuguese tradition and culture in a unique story to the center of your social gatherings as no other cheeses can, being a strong reference in the Portuguese market with a wide presence internationally."

With the desired positioning in mind, it becomes crucial to define the way to deliver and communicate it to target consumers, assessing the appropriate marketing tools and means to successfully position in both target markets.

9. Conclusion & Final Recommendations

Given the mature stage the company is in the domestic market and in order to avoid a decline phase, S4 needs to effectively consolidate its international presence. In fact, despite being present in more than 15 countries it continues not being able to replicate its strong distinctive position in the Portuguese market and leveraging its key strengths abroad. In a global perspective, the United States and Germany represent the most attractive markets where S4 might successfully expand the business given the economic & commercial, political stability as well as the potential size of the cheese industry. A strategic alliance is the ideal entry mode to accomplish S4's goals, favouriting a higher control and commitment over the international operations and activities, namely Distribution, Sales and Marketing, as well as a deeper understanding of the future dynamic environments and trends when compared to the current entry strategy it follows. In the execution of its global strategy, S4 will enter both markets with the most promising product line, namely the cured specialty cheeses, following a focused differentiation strategy which enables to emphasize the high-quality, expertise and Portuguese tradition of the brand, taking advantage of niche segments willing to pay more for a distinctive and exclusive eating experience. Together with the experienced strategic partners, S4 will have the necessary support to successfully enter in such competitive foreign markets, mitigate the potential degree of risk of the international expansion, drive sales, strengthen its premium position and transmit its value proposition as well as effectively build a close relationship with retailers and final consumers.

With detailed marketing initiatives focused mainly on the digital online channel and based on the financial projections, it was assessed that both internationalization plans are viable and feasible and should be followed, with United States being the country that can potentially add more value to S4 as concluded through the scenario analysis.

In order to mitigate the risk, to cope with workload as well as use resources more efficiently, some recommendations are provided. Having assessed the situation of the company and identified its liabilities' level, S4 should avoid being leveraged by debt in the overall internationalization expansion given the high level of indebtment they currently have. In addition, it is crucial to maintain the current terms of payment to keep high profitability while internationalizing. As the company will be involved in a multiple growing expansion process throughout the years, it might be necessary after the 5-year plan to either invest in CAPEX or outsource part of the production in case S4 does not have the capacity to follow the expected growing demand for its products. Moreover, through the sensitivity analysis, the variables volume and average price were identified as being the most relevant indicators to impact the final NPV of each project, hence it is fundamental to monitor and control the evolution of the units sold as well as the marketing initiatives that highly influence the results. Given the high investment necessary and assumed by the Team in digital marketing, particularly in social media, it is recommended to actively measure the effectiveness of the initiatives and adapt accordingly based on emerging trends and consumers' receptivity. Furthermore, S4 might contact several organizations in the United States and Germany such as AICEP, Cheese Importer Association of America as well as Germany Trade & Investment that can provide useful information about trustworthy strategic partners and insights about the way of doing business in both countries. It is worthy for the company to guarantee that its values, mission, culture and products are aligned with the partners and monitor the overall effectiveness of the proposed international strategic allies and operations.

As long as the project provides positive results S4 should consider replicating the strategic alliance entry mode in other countries, evaluating the product-market fit and consumers' trends to develop the most appropriate Business Model. To assess potential future markets opportunities, S4 is recommended to follow an analytical framework, all while interacting with national and international organizations. S4's brand identity should be leveraged regardless of the country, partners and entry strategy, being the fulcrum point around which the company's strategy should evolve. In the long term, after having established a steady growth rate and a well-consolidated position, the company can eventually increase its level of commitment with an equity-based entry strategy.

It is assumed that the recommended international expansion is aligned with the S4's goals and the organizational challenge was properly tackled. By using comprehensive frameworks and a critical strategic mindset the Team truly believes that the final result will positively impact the company's next steps and S4 will be able to effectively consolidate its global strategy.

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11. APPENDICES

Appendix 1: S4 *Product Portfolio*

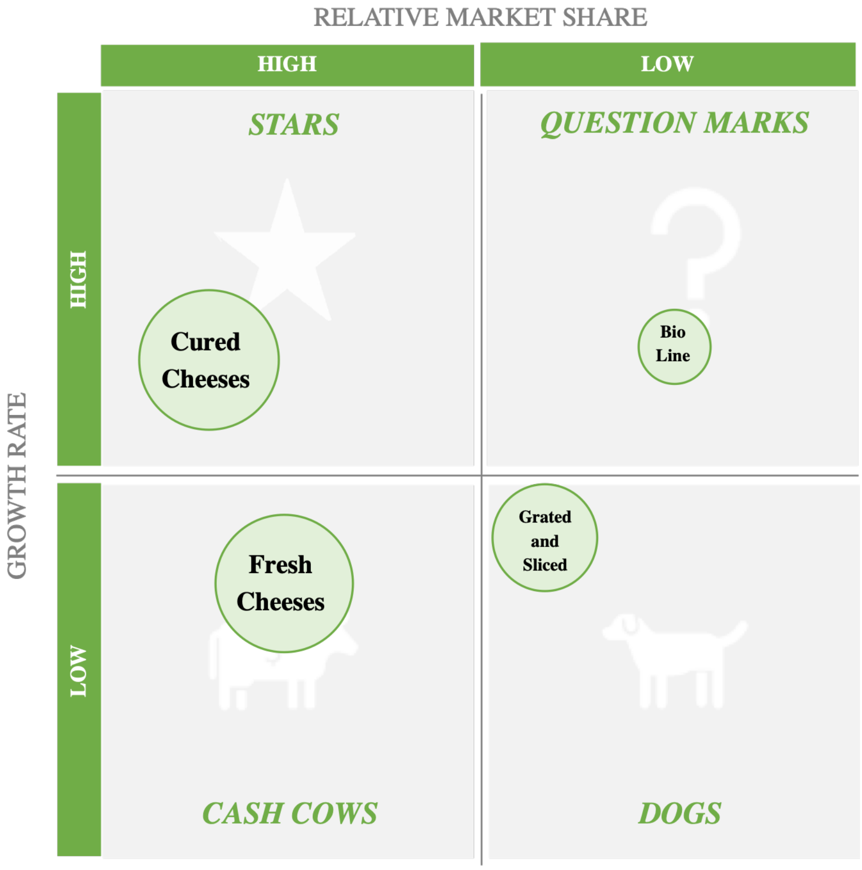
FRESH CHEESE			
Produced from selected cow, goat and sheep milk, with a wide variety of formats. All fresh cheeses are pasteurized, 100% natural and characterized with an unmistakable flavour. S4 is the market leader in this segment, multiple applications, having developed trendy fresh cheeses with nutritional benefits and lactose free, being many of these products consumed in very different occasions.			
Regular fresh cheese	***Fresh spread cheese***	***Quark cheese***	***Skyr cheese***
There are **four different types** of regular fresh cheese. These are the **half fat, the lean, the goat, and the sheep fresh cheese**, all of them suitable for all **ages, all occasions, and a wide variety of culinary uses**. Besides, these are a very healthy source of calcium.	Composed of the **original, light, and goat products.** These are the ideal option for a **healthy and tasty snack** or a quick recipe for the whole family.	With a **creamy texture**, it is ideal for a snack at any time of the day or for **culinary purposes**, from sweet recipes, through savory, to pasta. It has a **high protein content**, perfect for those who practice sports and a reduced content of fat (3%) and carbohydrates. Besides, it has no addition of sugar nor preservants.	It is ideal for those who **exercise, thanks to its high levels of protein**. It is also a suitable choice for strict diets, since it does not have any fat.

SLICED AND GRATED CHEESE			
Broad diversity of formats, and flavours, it is quite successful in international markets, part because of the ease of packaging. In addition to this, sliced and grated cheeses are also the segment leader in Portugal. These are very nutritious cheeses, very adequate to entire families.			
Flemish	***Mozzarella***	***Flemish grated***	***Mozzarella cheese grated***
Based on **selected cow's milk**, it is quite **rich in protein, calcium, and several vitamins**. Its three **different formats** are all suited to short meals, such as breakfast, little snack or a picnic.	Unique Format		

COTTAGE CHEESE	
Product line characterized by their soft flavour, and the ability to guarantee a nutritional balance. It is produced through the serum of fresh cow's milk and is mainly consumed as a starter, appetizer or dessert.	
Cow cottage	***Azeitão cottage***
One format cheese, **100% natural** that provides its nutritional balance.	Also, a one format cheese that has received one **award.**

<table>
<tr><th colspan="3">CURED CHEESE</th></tr>
<tr><td colspan="3">Produced through the best national milk of cow, goat, sheep and blended. Raw and pasteurized milks based on traditional recipes and characterized by the high intensity of its smell and texture. Six months' aged cheeses with a high diversity of formats between 50g and 9kg. Usually have additional ingredients such as garlic, paprika, and herbs. These product lines have already received awards for its quality.</td></tr>
<tr><th>DOP (Protected Origin Denomination) & IGP (Protected geographic Designation)</th><th>Sheep</th><th>Goat</th></tr>
<tr><td>One of the most recognized cheeses of S4 represented by three different types: Nisa, Azeitão e Mestiço Tolosa.
Nisa cheese DOP is produced through a traditional process on a sheep´s raw milk basis. All of its different formats are usually consumed as a starter or dessert on special occasions. It has won several different awards. Moreover, Azeitão one format cheese DOP is a reference within the sheep's cheese market. It is commonly served together with wine, and is more frequently present in short meals, such as starters, desserts, and snacks. It has also been awarded once. As for the Mestiço Tolosa IGP, it is a combination of sheep and goat´s raw milk. A very intense acid and spicy flavour, normally served with red wine and dry fruits. Its single format has received one award.</td><td>The sheep segment of regional cured cheeses is divided in two subsegments: Cerrado do Vale and São Julião cured cheeses. The first subsegment, Cerrado do Vale, is composed by the buttery cheese, one of the Portuguese favourites for its buttery texture, soft smell and strong flavour, produced through sheep’s milk, by the cured cheese, an excellent digestive whose target is people who enjoy intense flavours, by the reserve spread, a spicy, strong flavour and smell cheese, and by the creamy cheeses with its one format product with genuine and intense taste. São Julião cured cheeses are smooth and refined tasteful and smelly products, based on Alentejo traditions. It is a good complement to wine. Its single format has also been awarded once.</td><td>In the goat segment of cured cheeses, are observed three different subsegments: Quinta do Olival, Cancela Aberta, and Atabafado.
Quinta do Olival includes its soft cured texture, medium intensity flavour cheese. Normally served with regional bread as a starter or dessert. Besides, it is composed of two formats: high-quality spread cured cheese, a spicy product with a strong flavour and smell, ideally as digestive.
Cancela aberta is a slightly acid tasty cheese, with a typical smell, served along a white wine during desserts. Its one format has won one award.
Finally, Atabafado has an intense flavour, marginally saltier than other cheeses, thus being excellent to use in salads and snacks.</td></tr>
</table>

Appendix 2: ***S4 Product Portfolio BCG Matrix***[43]



External attributes of the brand

STARS	**Cured Cheeses (Specialties and PDOs)** - Leverage investments and strategy to convert into a cash cow consolidating its positioning in the domestic and international market; - Strategic choices: market development.
CASH COWS	**Fresh and cottage Cheeses** - S4's leading position in the Portuguese fresh cheese segment; - Core line giving the highest gross margin, allowing to constant revenues streams; - Strategic choices: product development, diversification.
DOGS	**Grated and Sliced Cheeses** - Highly saturated segment, with private labels strong position; - Strategic choices: Possible Retrenchment.
QUESTION MARKS	**Bio line - quark and fresh cheese** - Requires a closer consideration since they are the most recent brand in a growing market. It has potential to gain market share and turn into a star; - Strategic choices: to be tested in the domestic market in terms of consumers' receptivity and market share gains, and invest in market penetration and product development.

[43] Created based on gross margins and market trends, given the unavailability of specific information for each product line.

Appendix 3: ***External attributes of the brand***

Cured Cheese

Fresh Cheese

Grated Cheese

DOP's

Appendix 4.1: *S4 Financial Statements* – Income Statement

Income Statement					
€	**2015**	**2016**	**2017**	**2018**	**2019**
Revenues	26519464	29385078	43519792	48166460	51552811
Cost of revenues	17348711	18170943	29591002	35217090	38614454
Production variation	1209040	907136	855374	39139	294405
Profit margin	10379793	12121271	13073416	12988509	13232762
Operating subsidies	24316	11184	1249	1249	0
Other income	22675	17725	114149	494843	215188
SGA	6672611	8421411	8010662	7498442	7194673
Personnel costs	1876130	2038902	2809362	3406720	3528975
Other expenses	324433	386351	398637	568928	558846
Value adjustments	0	0	2878	3560	5940
Impairments - inventory	346879	2931		0	0
Impairments - receivable	0	64680	1583	5500	39501
EBITDA	1206731	1241767	1974614	2012451	2131895
Amortization and Depreciatio	830764	1356602	1387949	1101075	1102397
Operational results	375967	-114835	586665	911376	1029498
Finance income	0	34	0	0	0
Finance expense	279947	270084	280118	343036	397278
Profit before tax	96020	-384885	306547	568340	632220
Tax expense	55229	51829	73700	19485	24946
Net profit	40791	-436714	232847	548855	607274
Minority interests	7838	13011	0	0	0
Profit of the year	32953	-423703	232847	548855	607274

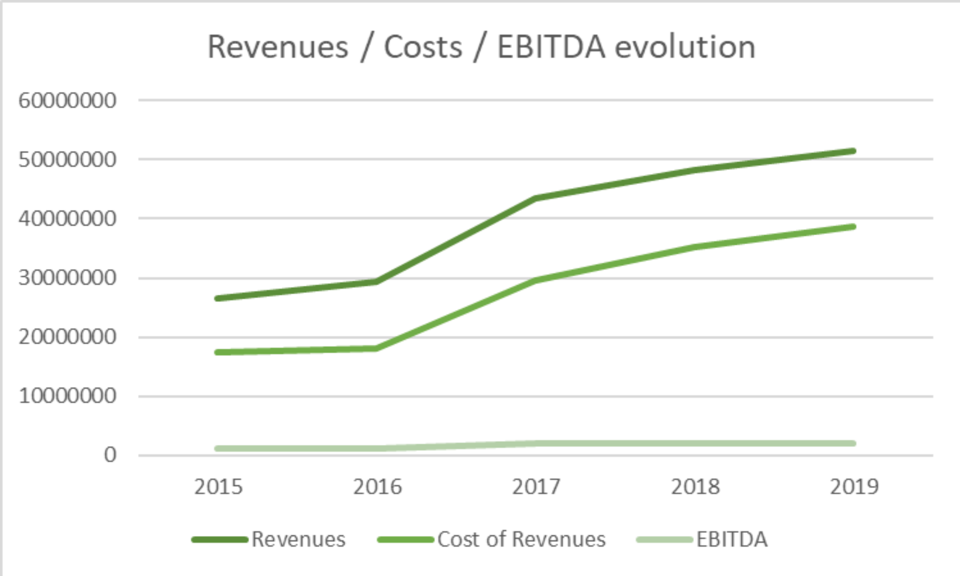
(Company information 2020)

Appendix 4.2: *S4 Financial Statements* – Balance Sheet

Balance Sheet	2015	2016	2017	2018	2019
Assets					
Noncurrent assets	13711019	16498464	18865502	17456717	20859554
Fixed tangible assets	7242311	10803073	12983513	11748542	15191768
Goodwill	5190173	4671157	4644499	4439854	4235208
Intangible assets	995000	978000	1160875	1153000	1253625
Financial holdings	0	37930	37930	37930	50930
Other financial assets	4110	8304	15934	25805	31478
Deferred tax assets	0	0	22751	51586	96545
Accounts receivable	279425	0	0	0	0
Current assets	8705221	11252347	14271807	14211547	16800405
Inventories	2904893	4401120	4110607	3120397	4716274
Accounts receivable	4813585	5073685	7250568	8026882	8882310
Prepaid expenses	189928	252539	2098983	2124813	2029225
State and other public entities	512959	484810	364099	309047	525831
Assets held for negotiation	59725	49447	53688	50399	56340
Defferals	28619	35029	23037	51735	72216
Assets held for sale	0	10610	26610	14810	10610
Cash and cash equivalents	195512	945107	344215	513464	507599
Total assets	44832480	11252347	47409116	45879811	37659959
Liabilities					
Non current liabilities	5318945	8360569	7809395	8818684	12658653
Loans and borrowings	5316569	8162278	7411208	7953619	11517977
Deferred tax liability	0	198291	398187	421633	417178
Other accounts payable	2376	0	0	443432	723498
Current liabilities	15648144	16573803	16227253	13066621	14029805
Accounts payable	13843305	12015458	11307639	7218715	8061771
State and other public entities	72265	80756	146143	195672	173020
Loans and borrowings	1728468	4475091	4772222	5652234	5795014
Deferrals	4106	2498	1249	0	0
Total liabilities	20967089	24934372	24036648	21885305	26688458
Minority interests	1136521	1790384	0	0	0
Shareholder´s equity	1449151	2816439	11366883	9782959	10971501
Total liabilities and shareholder´s equity	22416240	27750811	35403531	31668264	37659959

(Company information 2020)

Appendix 5: ***S4 Profitability Analysis – revenues and costs evolution***



(Company information 2020)

Appendix 6: ***S4 Historical of M&A activities and investment in production capacity***

	YEAR	DESCRIPTION
Lidador company	2000	S4 acquire Lidador,whose portfolio includes PDOs' cheeses.
Headquarters	2001	The current Headquarters of the company was built.
Montemuro factory	2001	In the same year that S4 built its HQs, it also invested in the main factory. Both produce 150.000 fresh cheese and 20.000 cured cheese in a daily basis.
Lacticínios Campainha	2007	One of S4 main competitors, with a strong presence in the fresh cheese segment, was acquired.
Monforqueijo	2013	A specialist manufacturer of PDO/IGP from Alentejo cheese joins the group.
Azeitão PDO factory	2015	One of the factories of one of main specialty cheese producers in the Portuguese market is acquired.
Queijo Saloio	2016	A large competitor in the market, whose portfolio range covers all cheese segments, was acquired.
Montemuro new factory	2017	New production site starts to operate.
Alentejo new factory	2018	New factory was built.

(Company information 2020)

Appendix 7: ***S4 Liquidity Analysis***

Liquidity analysis					
(€)	**2015**	**2016**	**2017**	**2018**	**2019**
Current assets	8 705 221	11 252 347	14 271 807	14 211 547	16 800 405
Current liabilities	15 648 144	16 573 803	16 227 253	13 066 621	14 029 805
Inventories	2 904 893	4 401 120	4,110,607	3,120,397	4 716 274
Cash and Equivalents	195 512	945 107	344 215	513 464	507 599
Current ratio	**0,56**	**0,68**	**0,88**	**1,09**	**1,2**
Quick ratio	**0,37**	**0,41**	**0,63**	**0,85**	**0,86**
Cash ratio	**0,01**	**0.06**	**0,02**	**0,04**	**0,04**
Net Working Capital	**-6 942 923**	**-5 321 456**	**-1 955 446**	**1 144 926**	**2 770 600**

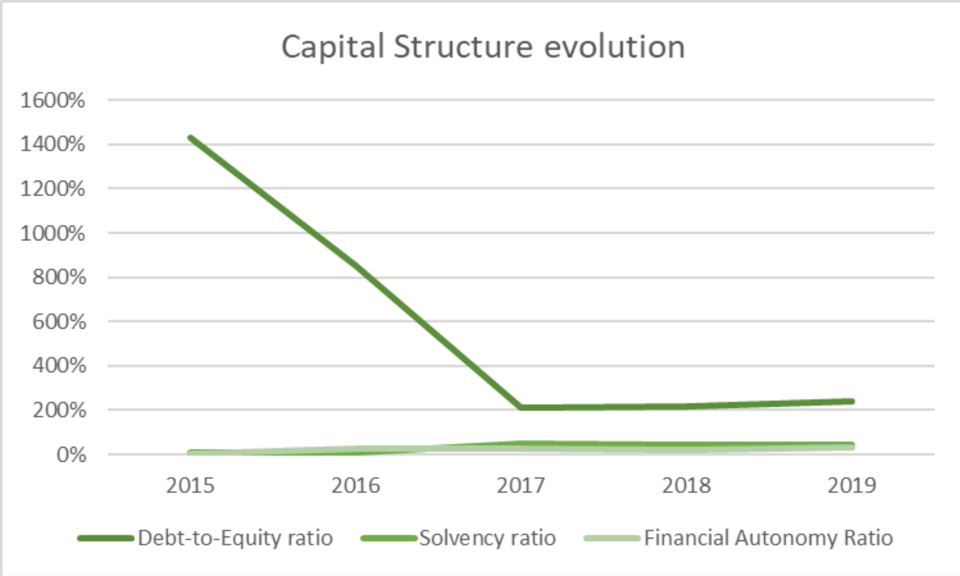
(Company information 2020)

Appendix 8: ***S4 Cash-Flow Management Analysis***

Cash-Flow Management analysis					
(€)	**2015**	**2016**	**2017**	**2018**	**2019**
Revenues	26 519 464	29 385 078	43 519 792	48 166 460	51 552 811
Cost of revenues	17 348 711	18 170 943	29 591 002	35 217 090	38 614 454
Inventories	2 904 893	4 401 120	4 110 607	3 120 397	4 716 274
Accounts Receivable	1 012 731	454 629	915 148	1 120 217	1 595 413
Accounts Payable	9 348 040	8 615 145	4 552 923	2 001 418	1 997 711
# days of the year	365	365	365	365	365
Average holding period	**61**	**88**	**51**	**32**	**45**
Average collection period	**14**	**6**	**8**	**8**	**11**
Average payable period	**197**	**173**	**56**	**21**	**19**
Cash conversion cycle	**-122**	**-79**	**2**	**20**	**37**

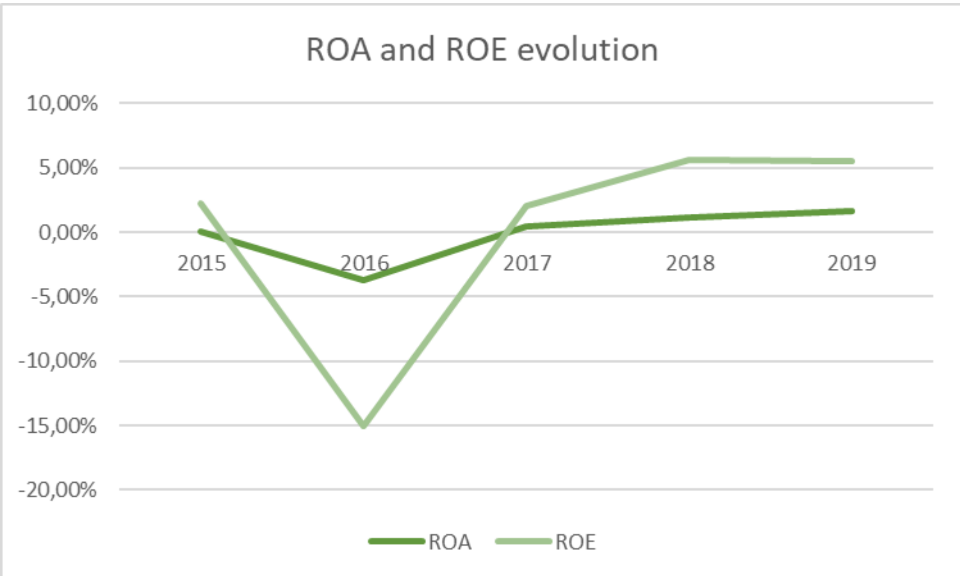
(Company information 2020)

Appendix 9: ***S4 Capital Structure***



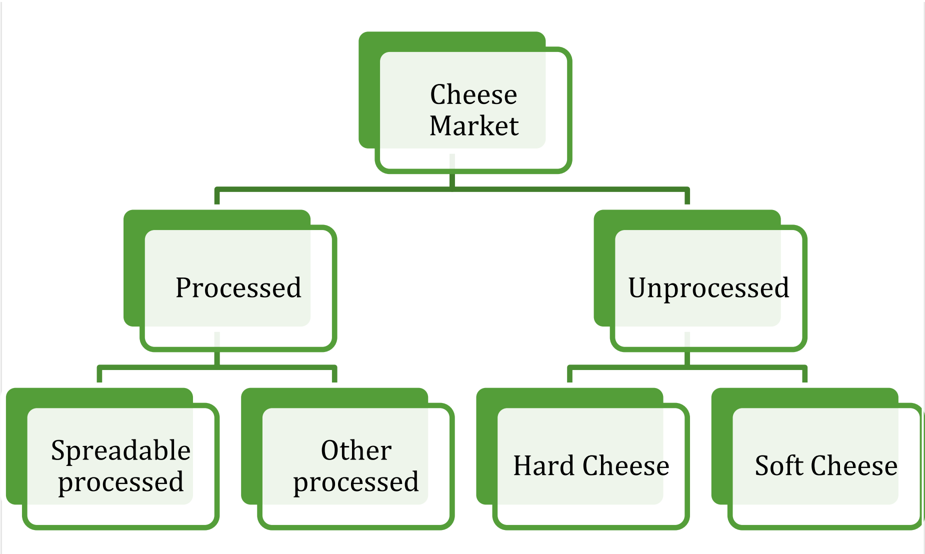
(Company information 2020)

Appendix 10***: S4 ROA and ROE evolution***



(Company information 2020)

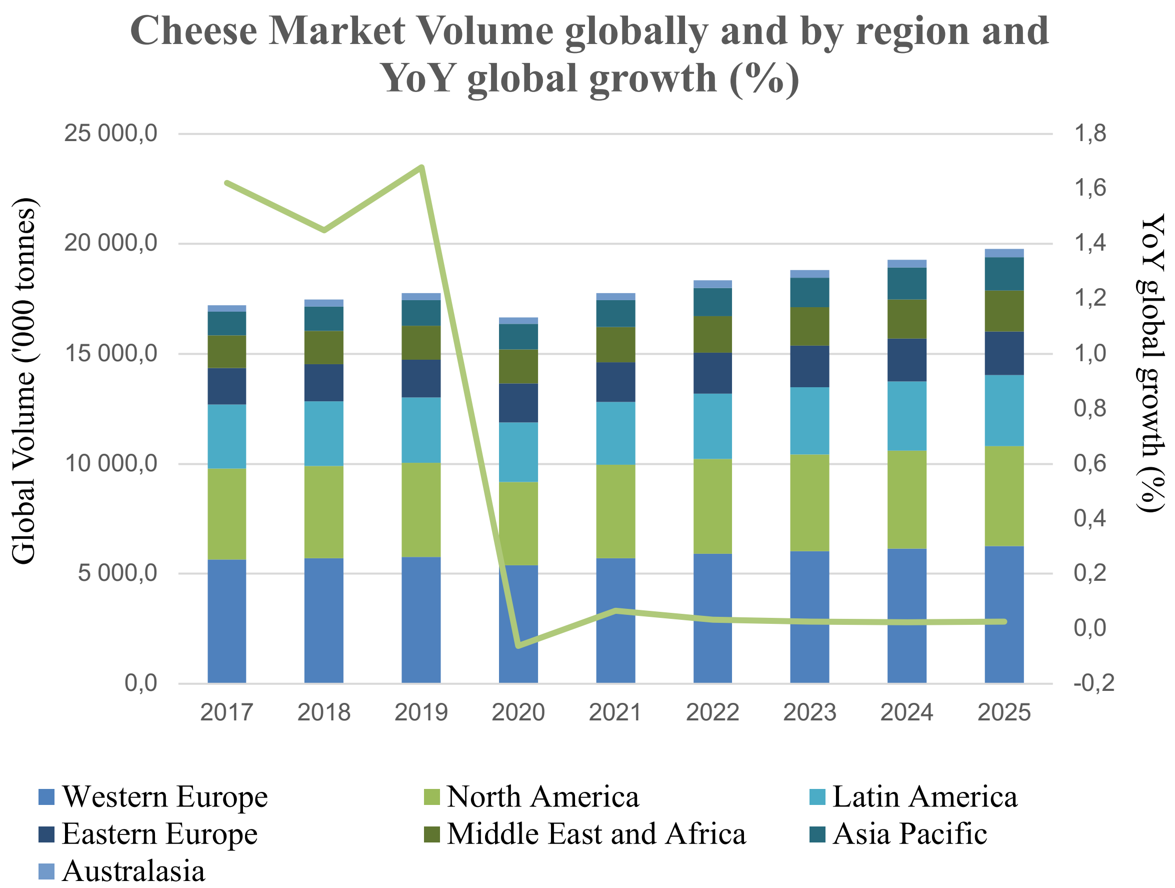
Appendix 11*: Cheese Market Structure*



S4's Product lines

Product Line	General Market Definition
Fresh Cheese	**Unprocessed Soft Cheese and Spreadable processed** *(namely the cream cheese)*
Cured Cheese Goat, Sheep, Cow, Mixed; PDO's	**Processed and Unprocessed Cheeses** *(depending on the cheese reference)*
Sliced and grated	**Unprocessed Hard Cheese**
Cottage cheese	**Unprocessed Soft Cheese**

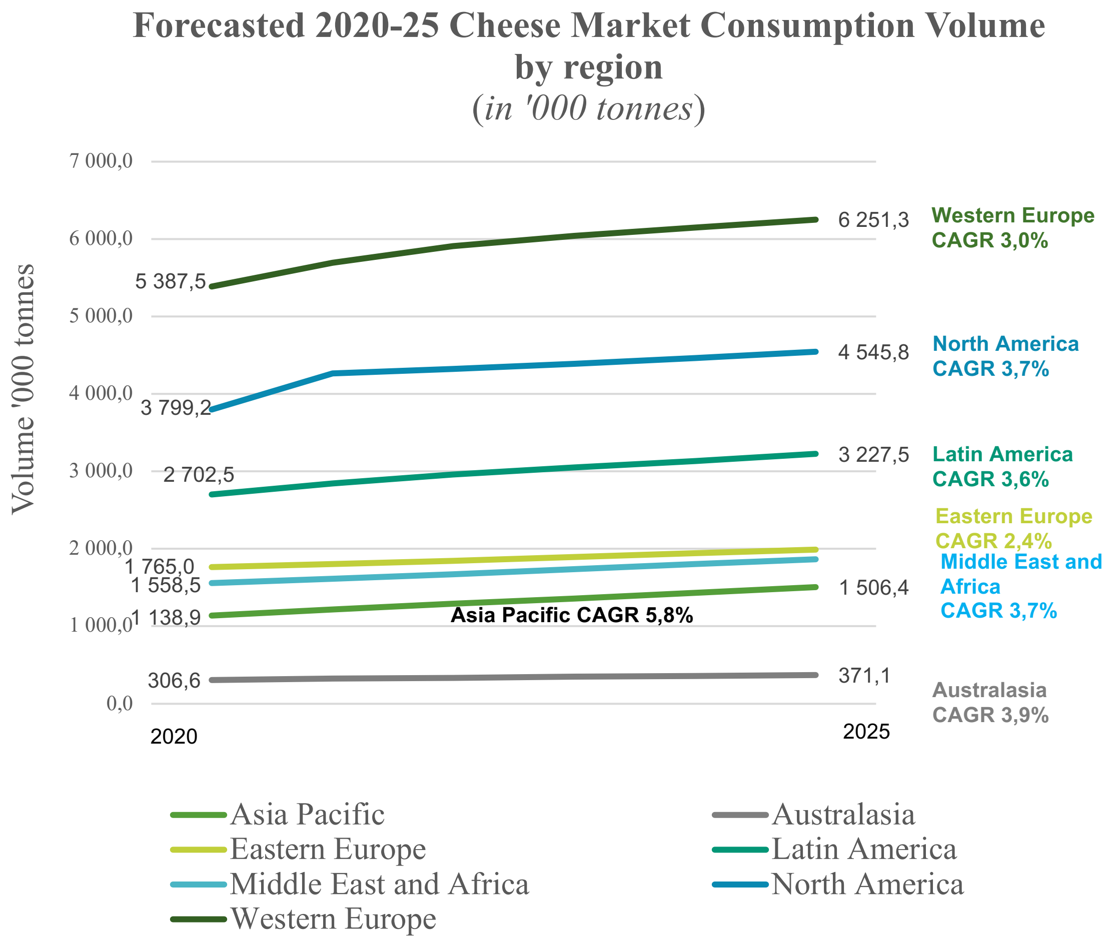
Appendix 12: ***Global Cheese Market Volume in thousand tonnes from 2017 to 2025 (and YoY growth)*** [44]



(Euromonitor International 2020)

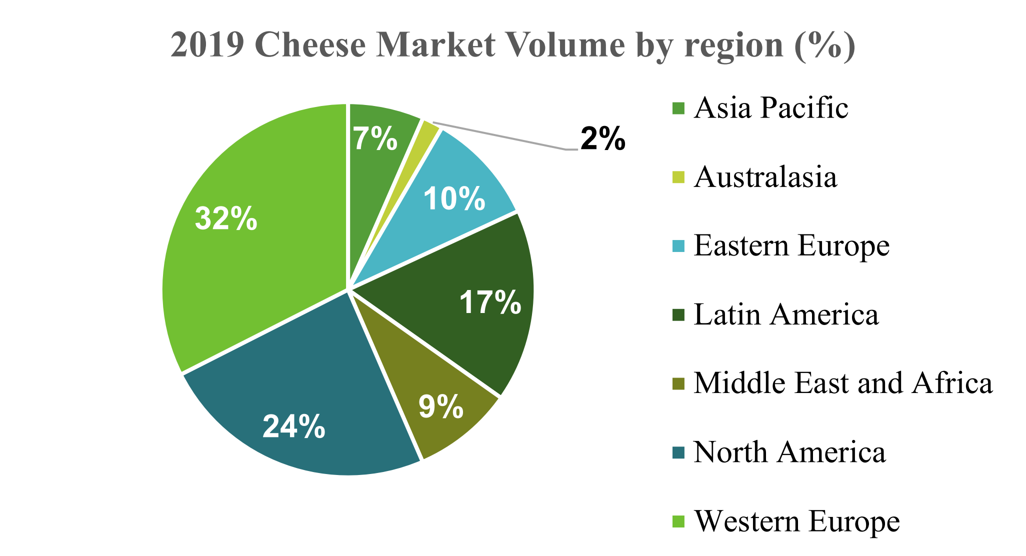
[44]**Asia Pacific**: Azerbaijan, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Kazakhstan, Laos, Malaysia, Myanmar, Pakistan Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Uzbekistan, Vietnam.
Australasia: Australia and New Zealand.
Eastern Europe: Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, North Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine.
Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela.
Middle East and Africa: Algeria, Angola, Cameroon, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Iraq, Israel, Jordan, Kenya, Kuwait, Lebanon, Morocco, Nigeria, Oman, Qatar, Saudi Arabia, South Africa, Tanzania, Tunisia, Uganda and United Arab Emirates.
North America: Canada and The United States.
Western Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and United Kingdom.

Appendix 13: ***Forecasted 2020- 25 Cheese Market Consumption Volume by region (in thousand tonnes)***



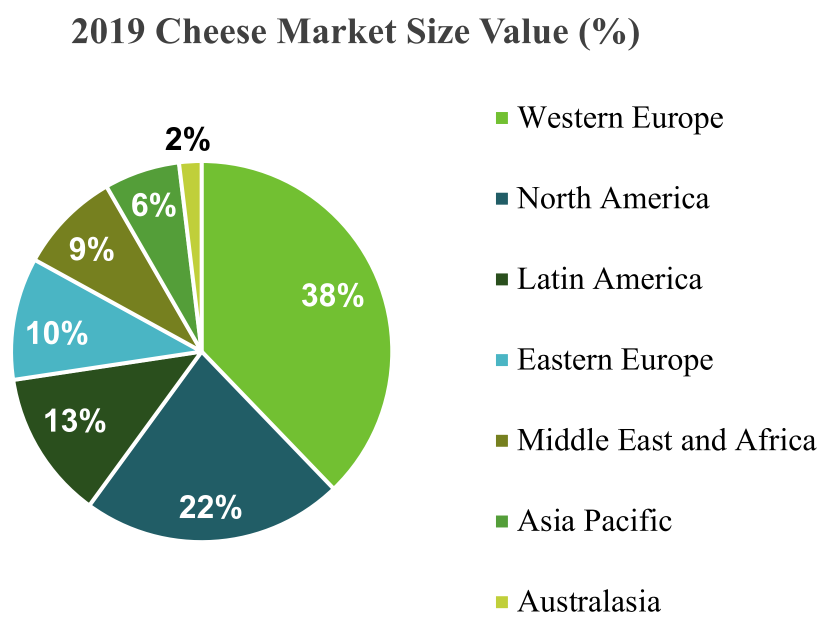
(Euromonitor International 2020)

Appendix 14: ***2019 Cheese Market Volume by region (%)***



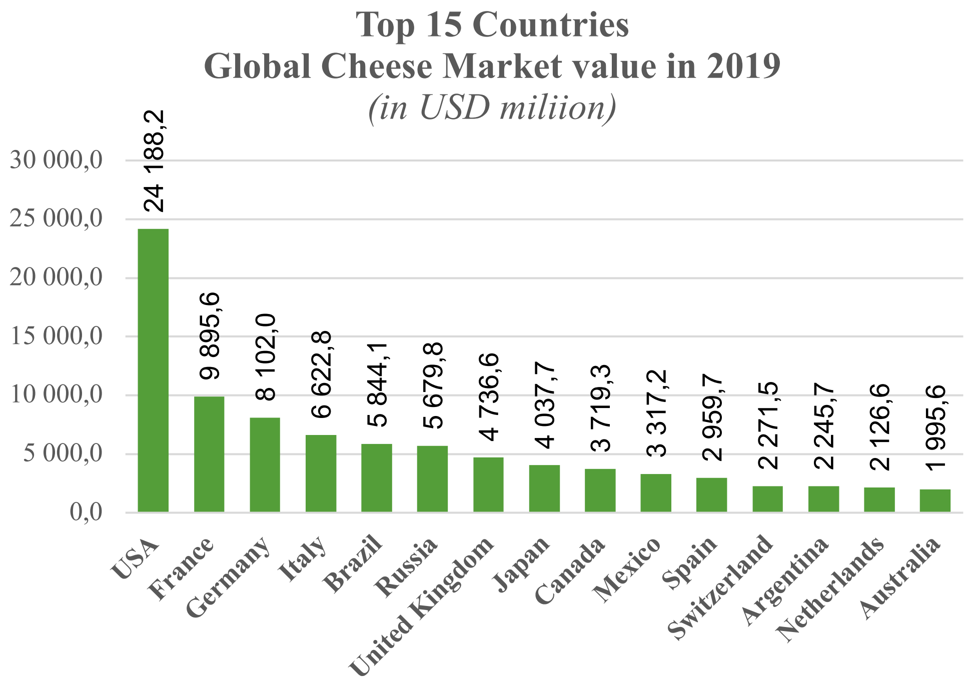
(Euromonitor International 2020)

Appendix 15: ***2019 Cheese Market Value by region (%)***



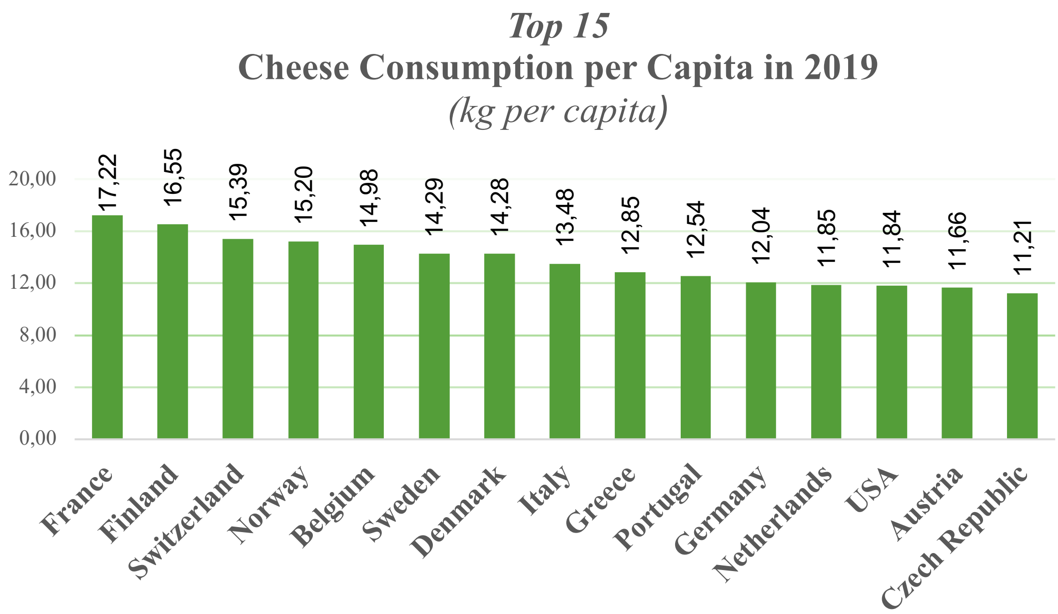
(Euromonitor International 2020)

Appendix 16: ***Top 15 countries Cheese Market Value in 2019 (in USD Million)***



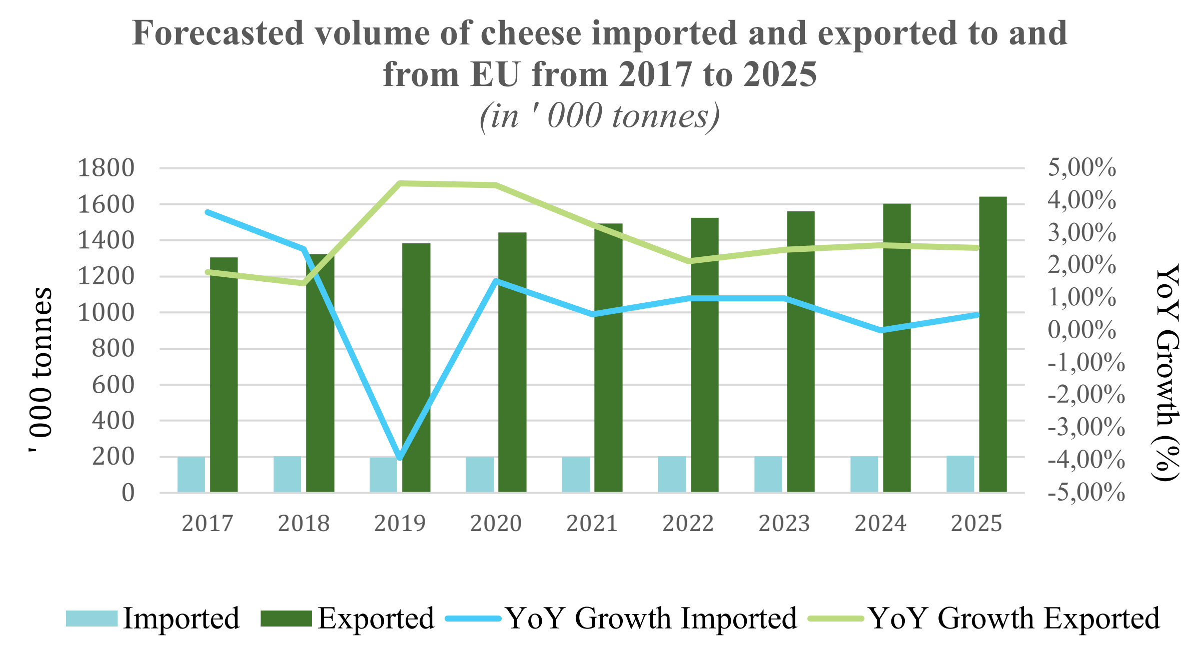
(Euromonitor International 2020)

Appendix 17***: Top 15 countries Cheese Consumption per capita in 2019 (in kg per capita)***



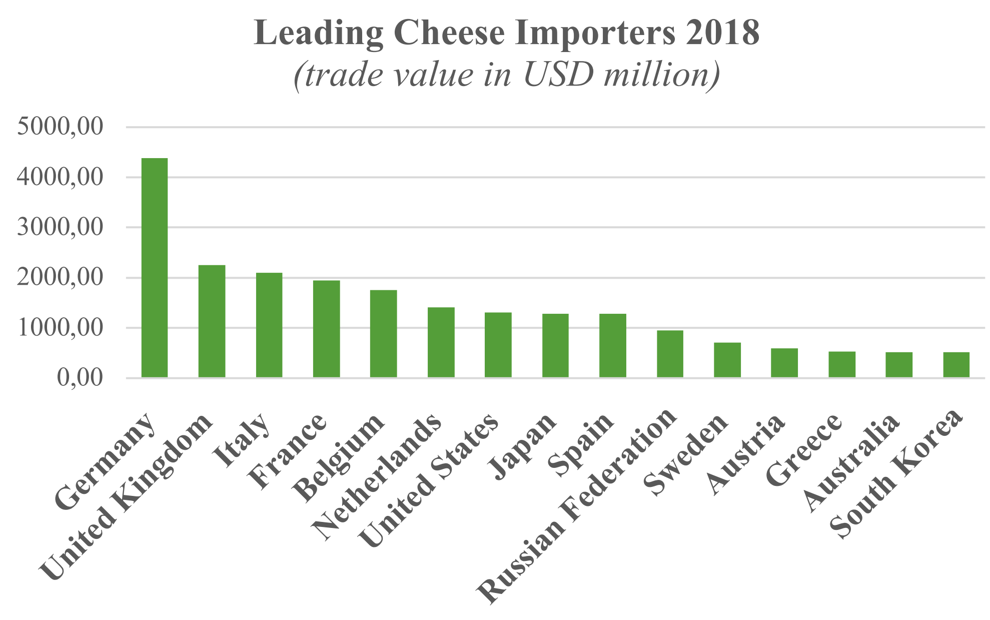
(Euromonitor International 2020)

Appendix 18: ***Forecasted volume of cheese imported and exported to and from EU from 2015 to 2025 (in thousand tonnes)***



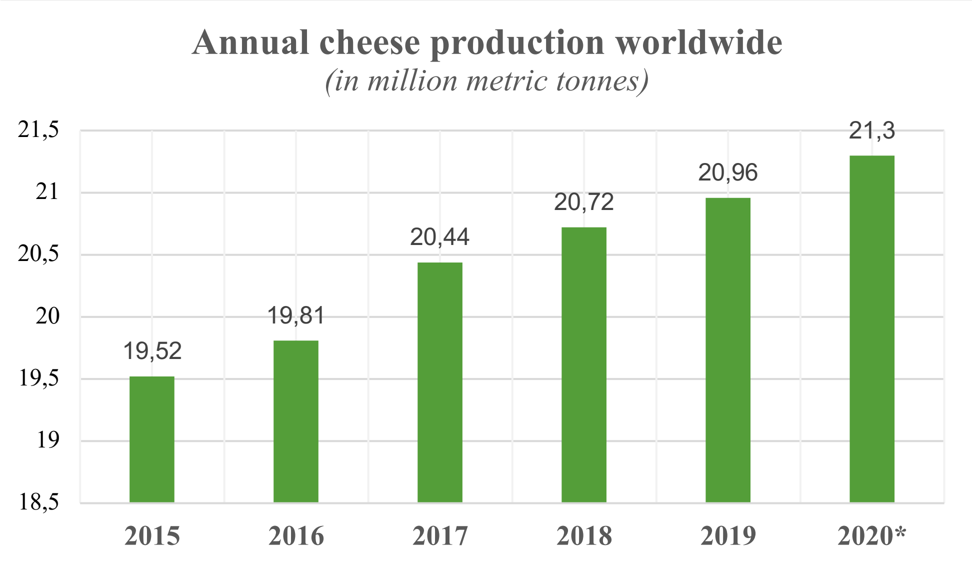
(Statista 2020)

Appendix 19: ***Top 15 Cheese Importers worldwide (trade value in USD million)***



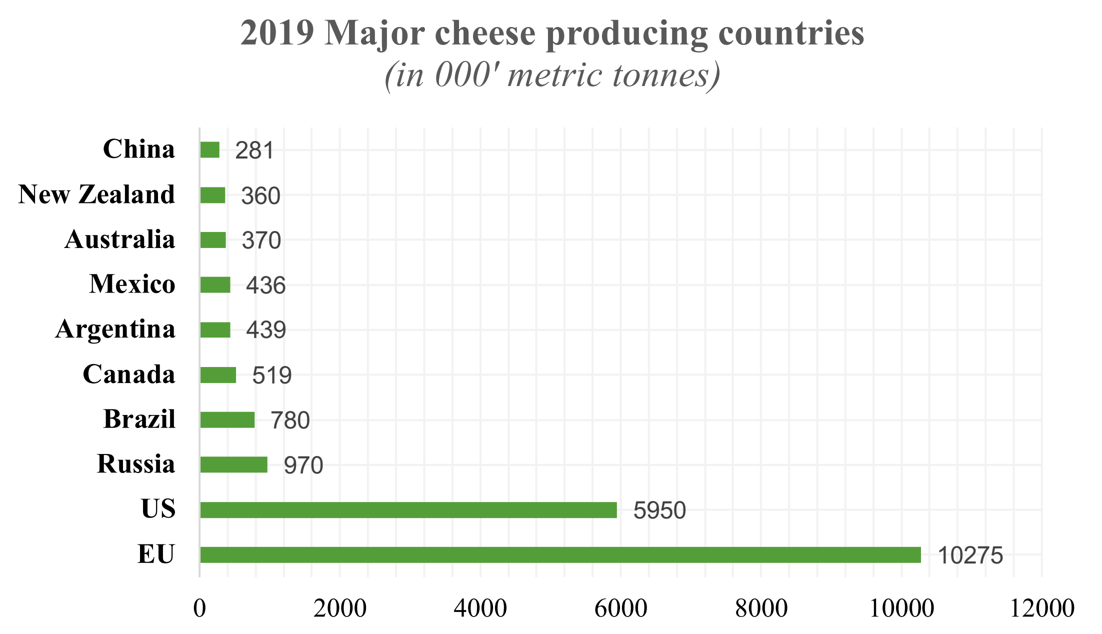
(OEC 2018)

Appendix 20: ***Global cheese production***

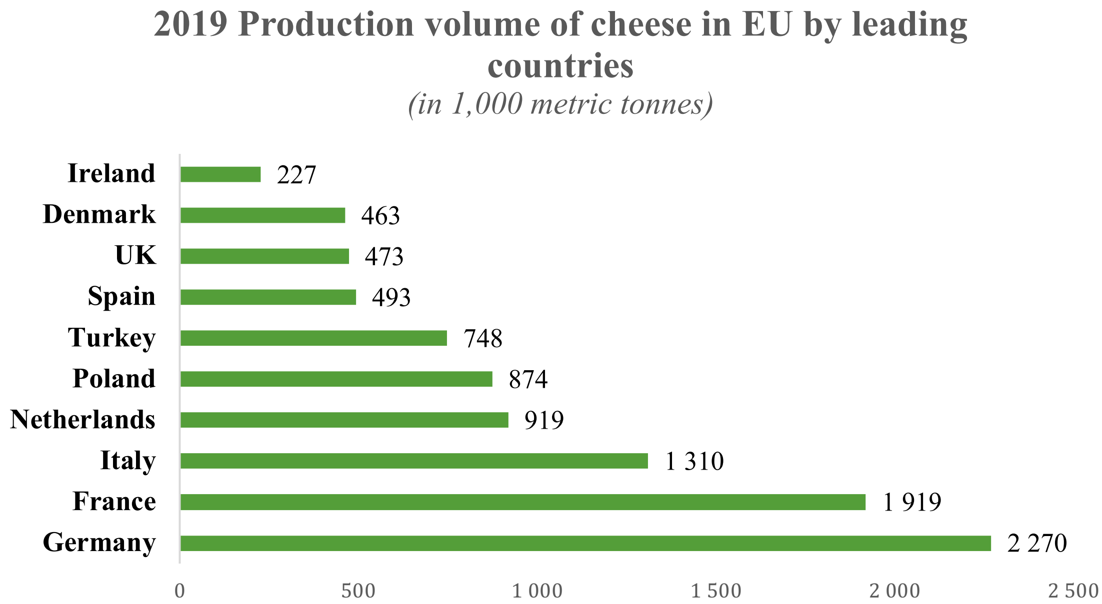


(Statista 2020)

Major Cheese producing countries

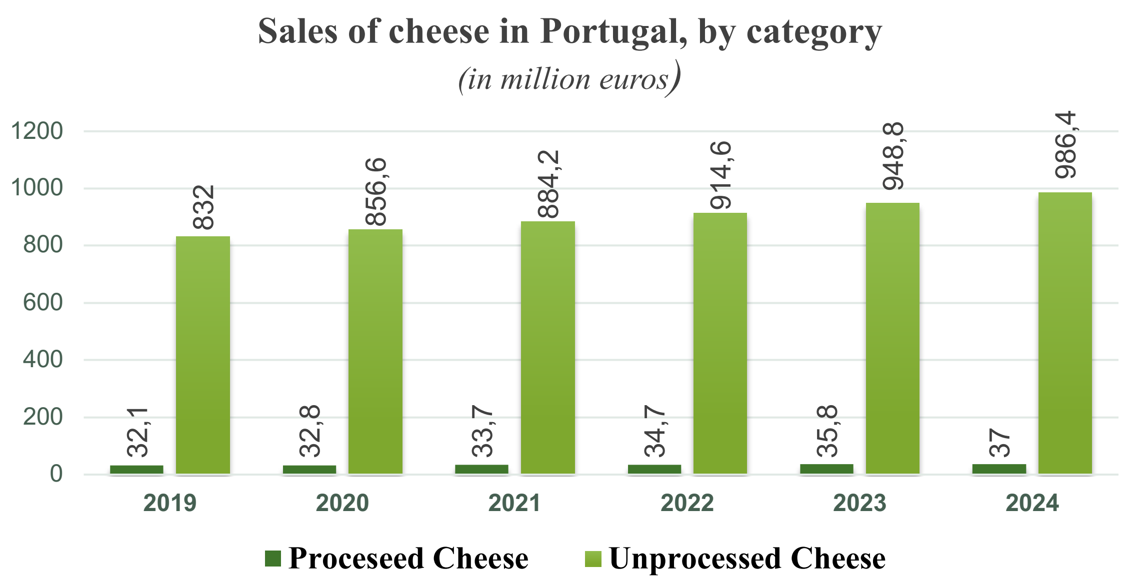


(Statista 2020)



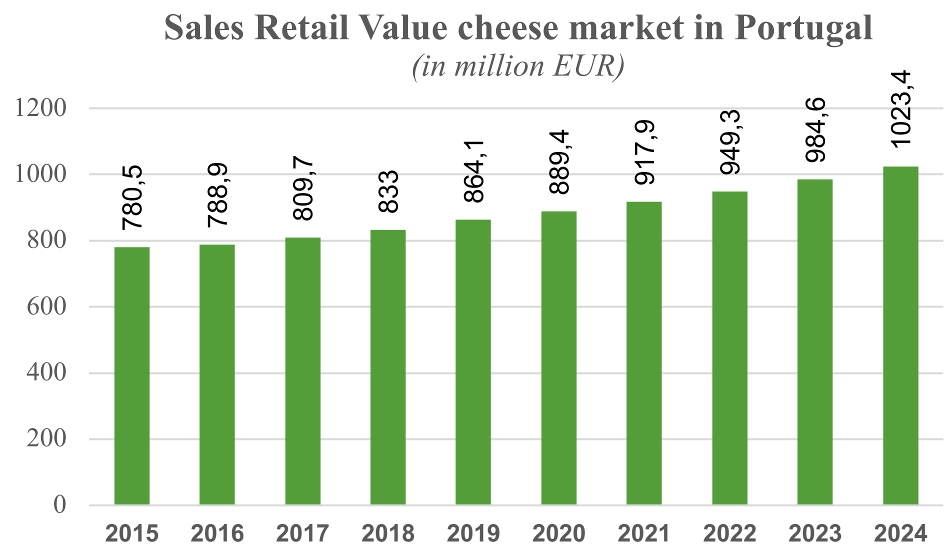
(Statista 2020)

Appendix 21: ***Sales of cheese in Portugal, by category (in million EUR)***

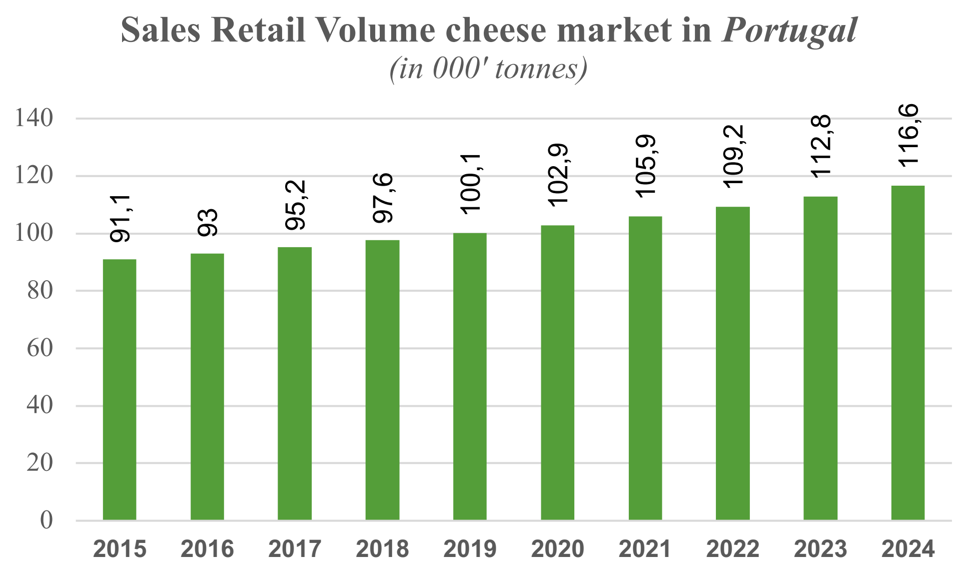


(Euromonitor international 2020)

Appendix 22: ***Retail value and Sales volume cheese market in Portugal (in million EUR and thousand tonnes)***

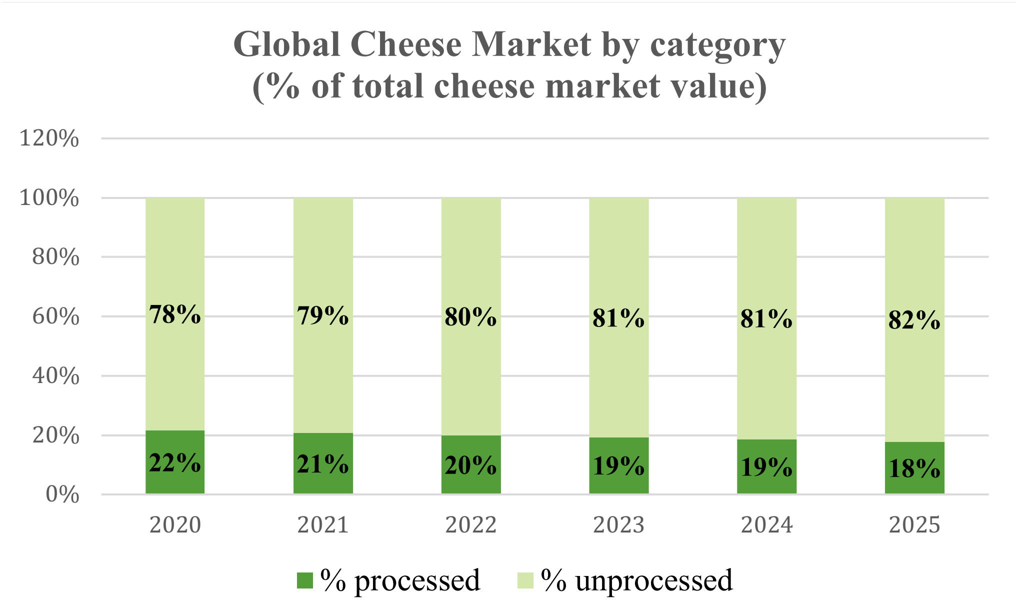


(Euromonitor International 2020)



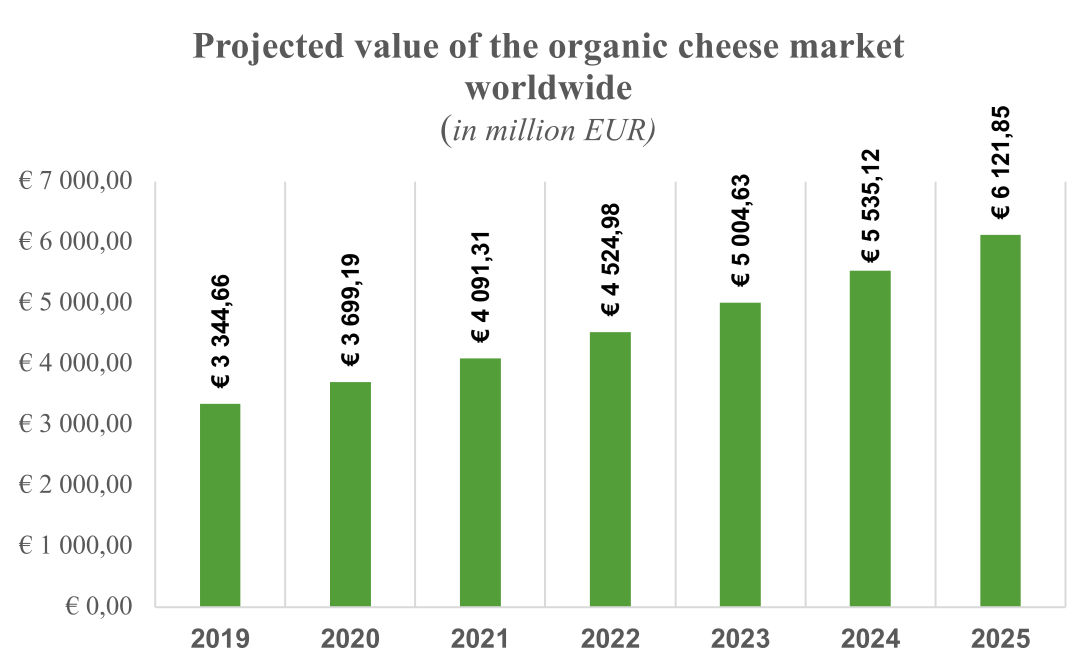
(Euromonitor International 2020)

Appendix 23: ***Processed and Unprocessed cheese categories from 2020 to 2025 (% of total cheese market value)***



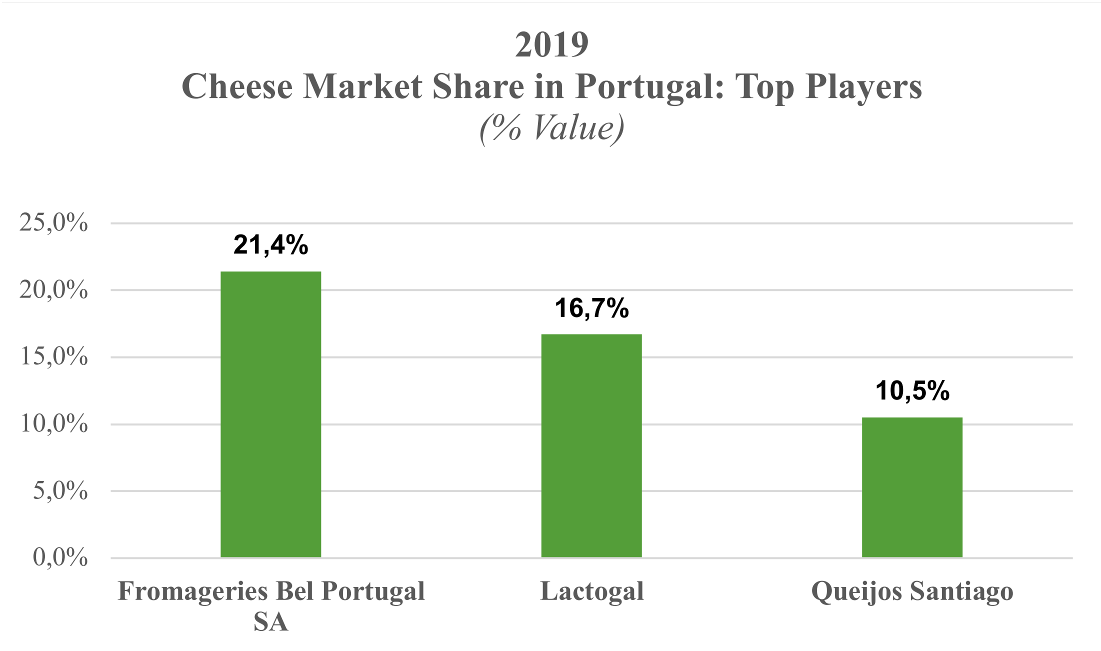
(Euromonitor International 2020)

Appendix 24: ***Projected value of the Organic cheese market worldwide (in million EUR)***



(Euromonitor international 2020)

Appendix 25: ***Cheese Market share in Portugal: Top Players (% value)***



(Company information 2020)

Appendix 26: *Competitive landscape analysis*

	Name	Size	Market expertise & Geographic Presence	Business overview
PORTUGAL	***Fromageries Bel Portugal***	> Turnover: **175 million USD** > 597 employees	> Lacto Ibérica was acquired in 2004 by Bel Group. It envolved acquisition of a company established in 1996 by another with more than 100 years of experience > Wide international presence: **130 countries across the 5 continents** > 85 companies in the corporate group (Bel Groupe) > Production process developed in 30 different factories, with 3 different R&D centres and 33 subsidiaries	> It is a French conglomerate that has acquired several different dairy products companies > **Operating in the Dairy Industry with: Milk, Butter and Cheese** > Offers also Fruit in small pouches: GoGo squeeZ as na healthy convenient snack (100% fruit) > **In the Cheese Industry offers:** Fresh, Creamy, Sliced, Grated, Semi-hard cured, Snack-size options (BabyBel and Laughting Cow), Bio cheese (100% organic Bio Babybel) and cheese buldles (Babybel Cheese & Crackers and Pick and Croq Laughting Cow) > **Cheese portfolio extends across 5 brands**, where 2 of them (Limiano and Terra Nostra) are the leading manufacturer's brands in the portuguese cheese market > **Brands communicated as a "source of pleasure"**, being the base of the brand identity > High focus on consumers health andnutritional demands (e.g.: Terra Nostra brand partnership with the Portuguese >**Quality control at every stage**: 24 GFSI[55] Certified Sites > Bel's packaging provides the nutritional information required by European regulations, even in countries where it is not mandatory
	Lactogal	> Turnover: **702 million USD** > 1485 employees	> 24 years expertise in the market > 130 countries across the 5 continents > 11 facilities including 7 insdustrial units in the Iberian Peninsula)	> **Product diversity** across its 13 brands as its leading factor, 5 of them in the cheese industry > In the **Dairy industry** is present with: Milk, Yogurths, Cream, Butter and Cheese > **Beverages industry**: water, tea infusions, juices > **In the Cheese Industry offers:** Fresh, Sliced, Semi-hard cured cheese, specialties (some for HORECA channel) > **Brands with history,** enhanced in their communication to consumers and contributing to strengthening their brand identity > **Quality Management System** with quality certifications (ISO 9001 and IFS -International Food Standard)

	Name	Size	Market expertise & Geographic Presence	Business overview
GLOBALLY	***Kraft Heinz***	> Turnover: **25 billion USD** > 37000 employees	> With around **150 years of experience** in the food and beverages market > **Broad worlwide present across 29 countries**	> **5th bigger worlwide company** of Foods and Beverages with 26 brands > In the Dairy industry offers: Butter, Cream, Cheese (Proceesed, Natural, Sliced and Garted,snack.size options, Bundles with crackers) > **Worwide leading cheese - the processed Kraft cheese** >In 2020 announced na agreement to sell its Natural Cheese Business to Lactalis Groupe
	Lactalis Groupe	> 2019 turnover: **3, 19 billion USD** > Strong workforce with employees around the world spread across the 169 subsidiaries and 522 companies in the coorporate group	> **80 years of experience** in the dairy market >**Across the 5 continents**: The Président brand is sold in 160 countries and Galbani is the leader in Italian cheeses, sold in 140 countries > 250 production sites, in 50 countries, from where it produces for around 145 countries due to a wide distribution network	> French multinational, **a leader in dairy products worldwide** > **Development strategy based on acquisitions of dairy companies with shared values**, and to help them grow, through industrial investment, marketing and human resources > **Internationalization strategy based on expanding the global presence of three key brands,** Président, Galbani and Parmalat. The Président brand is sold in 160 countries and Galbani is the leader in Italian cheeses, sold in 140 countries > Focus on the Dairy Industry offering: Milk, Chilled dairy, Yogurths, Cream, Butter, Cheese and dairy ingredients > **Represents local cheesemaking traditions, investing continuously in local brands** > In the cheese industry **offers from the most traditional PDO's and other specialties to regular cheeses** > A **growing player in nutrition**, as much for infant as clinical and sports nutrition, which contributes to promoting brand responsibility with health and wellness
	Savencia Fromage & Dairy	> Turnover: **6,16 billion** USD > More than 20 thousand collaborators	> **Wide and strong international presence**, with a constinuous investement on consolidating existing markets and discover news > **Facilities established in the best regions according to the products region in order to keep their authenticity and heritage**	> **Focus on cheese specialties and high value added dairy ingredients** > Offers a wide variety of high quality cheeses, butter and cream, Sbeing the **world #1 for cheese specialties** > **Products' offer designed for specific-country demands,** backed by premium brands ussually part of the country national heritage > Development strategy focus on truly **undersatnd local preferences and habits, cheese-manufacturing know-how**, building an **extensive mastery of cheese-making and investing in dairy technologie**s and milk constituints reserach > Strong brands, continuous innovation and a strong international presence and focus on consolidation and development > **Several PDO* cheeses**, genuinely authentic and prospects of broadering this high-quality premium line

Appendix 27: *S4 Resources and Capabilities Evaluation on VRINE Model*

VRINE Model Criteria				
Resources and Capabilities ***valuable and rare****, can constitute a temporary competitive advantage and contribute to earn above-normal profits until the advantage is matched by other firms. If it is also difficult* ***to imitate or substitute*** *are considered to be a sustained competitive advantage. If it fulfils the overall* ***VRINE criteria*** *but cannot be exploit it is not a competitive advantage*				
	Valuable*	***Rare*****	***Inimitable and/or non-substitutable******	***Exploitable***
Brand image	YES	YES	YES	NO (the lack of branding efforts is impacting negatively the brand image)
Market Expertise	YES	YES	YES	**YES** (it is being applied in the production of several product lines, and innovation in new segments)
Portfolio Diversity	YES	YES	YES	NO (it is exploitable, but the company is not leveraging it the proper way, resulting in lower financial performance and brand awareness, image and recognition)
Specialty cheeses offer (particularly, PDOs)	YES	YES	YES	**YES** (it is a sign of their market expertise and high-quality concerns)
Special bonds with Portuguese communities abroad ("mercado da saudade")	YES	YES	NO	**Temporary competitive** advantage only leverage until a new competitor enters and create this bond within the communities
Entire operation process control in the domestic market	YES	YES	YES	**YES** (in Portugal it does not rely in other firms, keeping its independency)
Financial Resources	YES	YES	NO	It can contribute to a **temporary competitive advantage,** meaning S4 has to take advantage of its positive financial position and do conscious investment, since these financial resources can change depending on market share, competitors' rivalry and overall sales
Wide Network	YES	YES	NO	**Temporary competitive advantage** mainly due to the market expertise and international presence
Quality Standards	YES	YES	YES	**YES**
	***YES** –*the resource or capability enables to meet market demands, trends and expectations and/or protecting it from market uncertainties. Valuable resources & capabilities can contribute to normal profits (profits that cover the costs off all inputs including capital)*	****YES** – *If the resource &capability is valuable, it is scare compared to demand and not highly possessed by other players*	*****YES** – *Assuming it is valuable and rare it is hard to imitate or substitute for other resources & capabilities that fulfils the same benefit*	

Appendix 28: SWOT Analysis

STRENGTHS

- **Diversified Product Portfolio**: wide variety of products, textures, flavours, that suit several occasions and segments;
- **National leader** in Fresh Cheese segment and goat;
- **Only supplier** selling cheese in all cheese segments;
- **Quality production and artisanal processes** (in some cheeses) that guarantee traditional and genuine flavour;
- **Portuguese Tradition**;
- **PDOs** certified;
- Investment in **innovation;**
- **Special bond** with Portuguese communities abroad;
- **Significant presence abroad** with prospects of **increasing international presence;**
- **Domestic control** of primary and support activities.

WEAKNESSES

- S4 **does not leverage its wide portfolio**;
- **Exporting strategy** limits the company's active involvement in international markets – **lacks on consolidation efforts;**
- **Weak credibility** of product portfolio;
- **Unconsolidated Brand Awareness and Image: not widely noticeable**;
- The wide international presence makes **difficult to accompany all local animal-based regulations and legislations**;
- **Low control over international operations** since they are highly dependent on each local client's performance;
- S4's products' difficult recognition: **weak communication**, **inconsistent branding.**

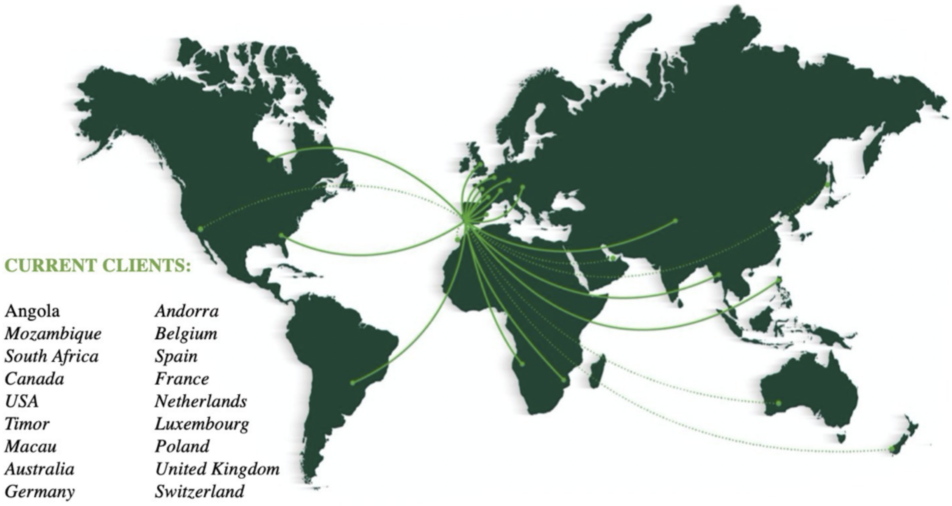
OPPORTUNITIES

- Growing demand over **plant-based products**;
- Growing concept of cheese as a healthy snack – increases demand for **healthy and natural cheeses;**
- Previous successful expansion plans in some countries might suggest the need for a **deeper commitment to some of them** (other kind of business relationships, such as possible alliances);
- Growth opportunity in Portugal since the **market is not completely saturated;**
- **Global Cheese Market ongoing growth;**
- **European cheese** brands are the leader exporters of cheese;
- Growth expansion in **premium-niche segments.**

THREATS

- **Reduced shelf-life** of fresh cheese limits international exports;
- **Private Label** penetration globally, as they start presenting more quality products;
- Might be difficult to **sustain the leading position in the fresh line;**
- **High competition internationally and domestically**;
- Governments may **tighten regulations and restrictions regarding animal-based products**;
- Growing number of **vegan consumers**;
- **Differences in consumption between the various regions** require a strong organization and explanation's policy;
- **Bureaucratic restrictions:** registration of production and labelling and packaging is costly and time consuming;
- **Fragmented market** might make difficult to protect the brand.

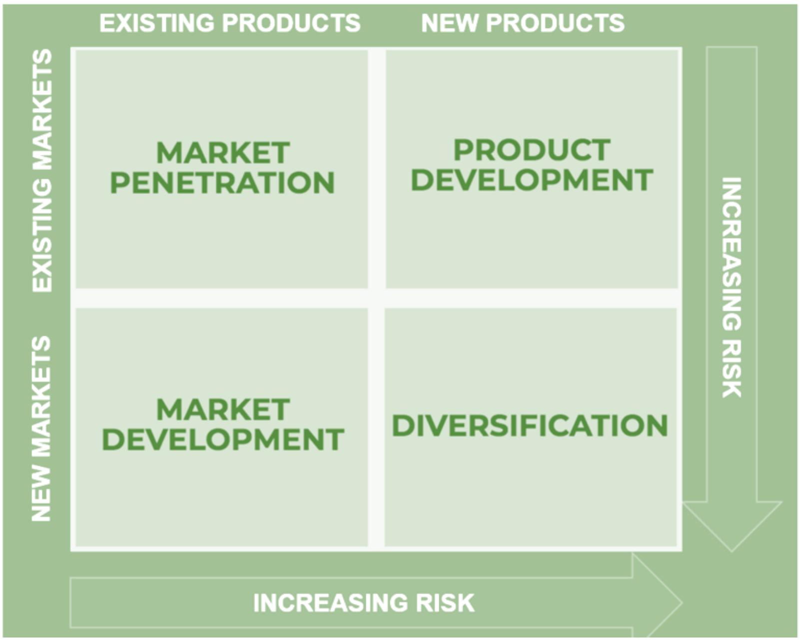
Appendix 29: *S4 International presence*



Appendix 30*: Current International Product Portfolio*

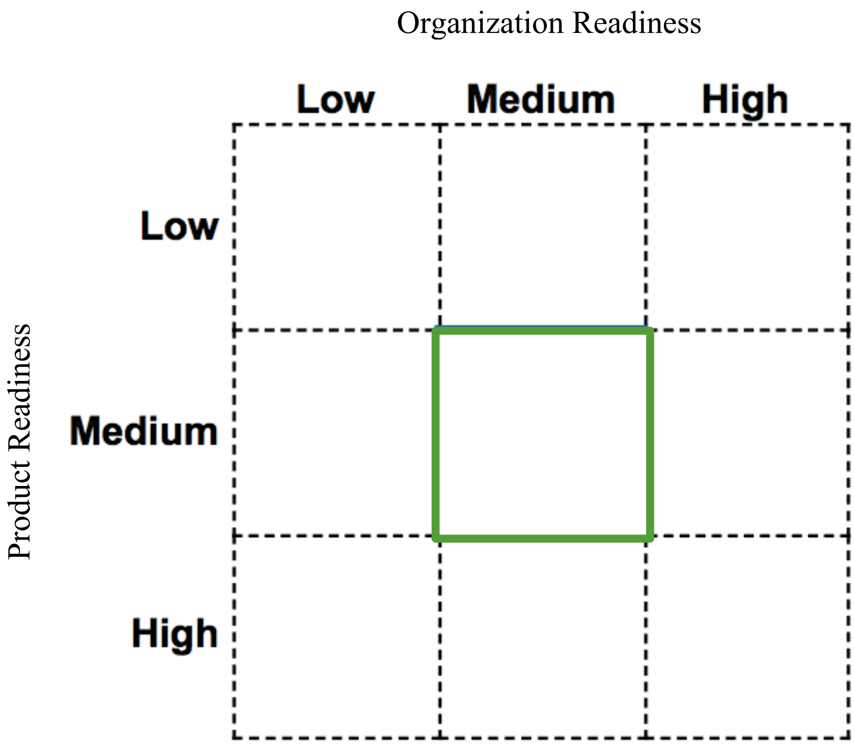
Product Line	Milk-based type	Shelf-life	International Presence
Fresh Cheese	Cow and Goat	short (11 days)	Belgium, France, Germany, Netherlands, Luxembourg, United Kingdom, Switzerland
Cured- Specialty Cheese	Goat	medium to long (180 - 270 days)	Angola, Mozambique, South Africa, Canada, USA, Timor, Macau, Australia, Germany, Andorra, Belgium, Spain, France, Netherlands, Luxembourg, Poland, United Kingdom, Switzerland
	Sheep	medium to long (90 - 180 days)	Angola, South Africa, USA, Timor, Macau, Andorra, Belgium, Spain, Spain, France, Netherlands, Luxembourg, United Kingdom, Switzerland
	Cow	long (270 days)	Angola, South Africa, USA, Timor, Macau, Germany, Andorra, Belgium, Spain, France, Netherlands, Luxembourg, United Kingdom
	Blended	long (270 days)	Angola, Mozambique, South Africa, Canada, USA, Timor, Macau, Australia, Germany, Andorra, Belgium, Spain, France, Netherlands, Luxembourg, United Kingdom
PDO'S	Raw Sheep	medium to long (90 - 180 days)	Angola, Mozambique, South Africa, USA, Timor, Macau, Germany, Andorra, Belgium, Spain, France, Netherlands, Luxembourg, United Kingdom, Switzerland
Sliced and Grated	Goat, Sheep, Cow, Blended	medium (90 days)	Angola, USA, Switzerland
Cottage Cheese	Cow, Sheep, Goat, Blended	short (30 days)	Angola, Mozambique, Angola, Belgium, France, Netherlands, Luxembourg, United Kingdom

Appendix 31: ***Ansoff Matrix***



(Strategic Marketing: an introduction 2008)

Appendix 32: ***CORE Readiness Test detailed results***



Dimension	Score	Rating
Competitive Capabilities in Domestic Market	78	Moderate
Motivation for Going International	64	Moderate
Commitment of Owners and Top Management	61	Moderate
Product Readiness for Foreign Markets	53	Moderate
Skill. Knowledge and Resources	61	Moderate
Experience and Training	58	Moderate
CORE	**63**	**Moderate**

(GlobalEdge 2020)

Feedback

Dimension: CORE

Score: 63 - Moderate

The overall assessment of your company's readiness to export is MODERATE. Thus, your company and/or product has several strengths and also some weaknesses. The general areas are described below. In addition, specific strengths and weaknesses of your organization and product can be found by reviewing the list of questions and answers.

Dimension: Competitive Capabilities in Domestic Market

Score: 78 - Moderate

Your assessment shows that you are moderately competitive in your domestic market. Thus, your chances of success in foreign markets are marginally enhanced, although you must take care to address any specific weaknesses in the domestic market, as shown in the list of your questions and answers.

Dimension: Motivation for Going International

Score: 64 - Moderate

The motivations that you listed for going international are generally acceptable, but also exhibit some possible problems for your firm. The motivation for successful companies tends to include such factors as: desire for significant long-term presence in foreign markets, exploitation of the company's unique technologies, and improving company's return on investment. Unsuccessful companies seek short-term, incremental sales and/or are motivated by desires to dispose of excess inventory. They are reactive rather than proactive. You should examine and improve upon the specific weaknesses, as shown in the list of questions provided with this evaluation, and work to maintain the specific strengths, also listed in the questions and answers.

Dimension: Commitment of Owners and Top Management

Score: 61 - Moderate

Your top management and owners display lukewarm commitment to the international expansion of your company. This is the most important single factor in determining your likelihood of success in foreign markets. Successful companies in international markets are those that pour significant personnel and financial resources into the effort, and exhibit patience in obtaining a return on their international investment. On the other hand, unsuccessful firms are those who put very little investment in the international efforts and/or expect immediate returns. Your top management seems to straddle the midpoint between these two extremes. To enhance your chances of success, your top management and owners should increase their level of commitment to the international development effort by addressing any specific weaknesses as shown in the list of questions and answers.

Dimension: Product Readiness for Foreign Markets

Score: 53 - Moderate

Your product appears to be adequately, but not outstandingly, equipped for foreign market penetration. Factors influencing in this assessment include: training and after-sales support needs and capabilities, willingness to modify product and packaging, ability to meet standards and regulations in the foreign market(s), and comparisons with leading competitive products in foreign markets. Your product may have shortcomings in some of these areas. The specific weaknesses can be seen by reviewing the Product Readiness questions and answers. Your company should work to improve on any of these weaknesses, and should capitalize on its strengths in this area in order to enhance your chance of success in foreign markets.

Dimension: Skill, Knowledge and Resources

Score: 61 - Moderate

Your company rated adequately in its Skills, Resources, and Knowledge as related to international marketing. Factors involved here include exporting and international transaction experience, knowledge of tariff, regulations, and other barriers to entry in foreign markets, and access to resources such as capital. Although you perform moderately well in this area, you should improve on your weaknesses prior entry into international markets.

Dimension: Experience and Training

Score: 58 - Moderate

Your company performed moderately in the Experience and Training criterion for international marketing. Factors included in this criterion refer mainly to management experience abroad, and company participation in trade fairs and other internationalization efforts. While you have some experience and training, you should improve in this area in order to enhance your chance of success in internationalization.

Appendix 42: ***United States - Market Sales Potential Analysis***

UNITED STATES	*2019*	*2025*
Population size (in million)	327,35	336,80
Cheese Market value per capita (USD)	73,70	74,70
Total Market Sales potential (USD million)	24125,00	25158,00

Appendix 43: ***German Retailers positioning map (based on price level and #chains)***

(AICEP Portugal Global CN Berlim 2018)

Appendix 44: ***Germany - Market Sales Potential Analysis***

GERMANY	*2019*	*2025*
Population size (in million)	82,90	83,40
Cheese Market value per capita (USD)	97,60	98,80
Total Market Sales potential (USD million)	8091,00	8240,00

Appendix 45: ***Canada - Market Sales Potential Analysis***

CANADA	*2019*	*2025*
Population size (in million)	36,99	39,45
Cheese Market value per capita (USD)	98,90	110,30
Total Market Sales potential (USD million)	3658,31	4351,33

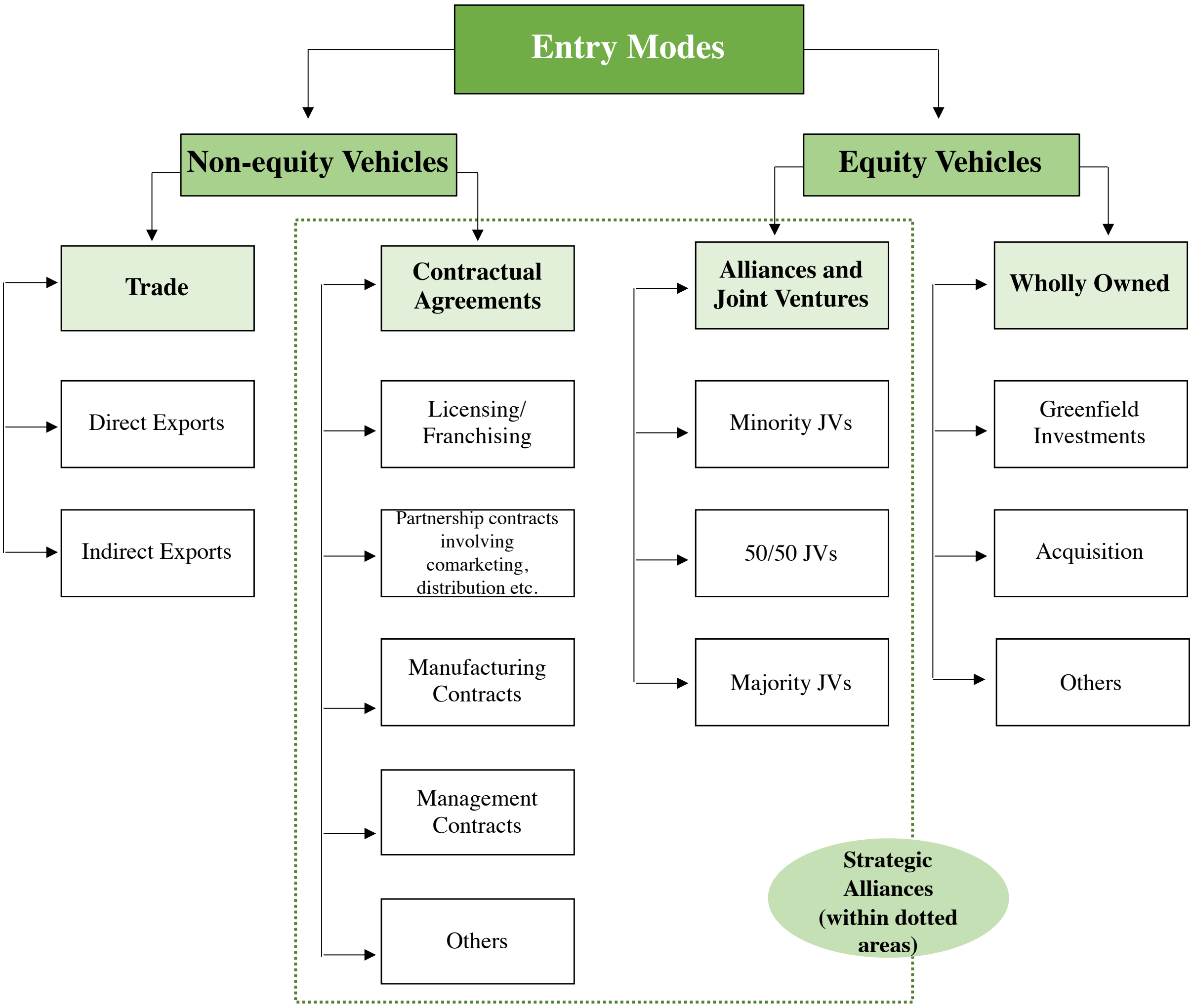
Appendix 46: ***Japan - Market Sales Potential Analysis***

JAPAN	*2019*	*2025*
Population size (in million)	126,20	123,30
Cheese Market value per capita (USD)	32,00	40,10
Total Market Sales potential (USD million)	4037,00	4945,00

Appendix 47: *Regulations and Requirements United States and Germany*

	PORTUGAL - UNITED STATES	PORTUGAL - GERMANY
Tariff Policies	> **35%** (depending on the type of milk a percentage of the value of the import permit can be added)	**VAT- 5%**
Specific Restrictions	> **Items must be properly reported to the U.S. Food and Drug Administration** prior to arrival > 1year-valid **Import permit for milk obtained from FDA** > **Mandatory FDA Prior Notice** fillment before the arrival of the products > Most cheeses, made from raw milk, will have to be aged more than 60 days > Dairy products must have never been in regions where Foot-and-Mouth Disease or Bovine Plague occurred, except when passing through sealed means of transport as described in the **"Code of Federal Regulations"** > **A verterinary certificate** is mandatory to be present > **Production units need to present a valid FDA** > **Certification** of the facility where the food is manufactured, processed and storaged to be registered with FDA. > **FDA's permit with** the authorisation regarding goods and operations to be implemented. > **Document certifying** that certain imported agricultural goods were inspected by the USDA when they arrive to the U.S. and complied with the national regulations.	> **All foods of animal origi**n must comply with the requirements of Animal Health legislation as well as with Food Legislation > **DNA test** on goat cheeses is needed for it to be imported to the market.
Certification requisites	> The responsible entity of Portugal - the **Directorate-General for Food and Veterinary** (DGAV) – has to certify the producing entity. > **Veterinary certificate** confirming that products of animal provenance was assessed based on comprehensive measurements	> Certification, labelling and packaging **must meet EU requirements** > In order **to sell PDO or PGI** a certification is needed
Packaging and Labelling Requirements	> Food made in part from cheese must accurately **describe the name of the product on the label,** such as "processed", "pasteurized", "mixed" and "spread". > **Food names on labels** that are required by standard must be placed with the same prominence as all other ingredients, so same font, size, color and background. > **Optional ingredients** must be listed with the word "contains" > Name and complete address of the manufacturer, packer or distributor as well as Country of origin must be listed on the label > If the labelling is a foreign language, the mandatory statements should be changed to English	> **The label** (packaging, document, sign, ring or band) that accompanies cheeses made from raw milk **must clearly indicate "made with raw milk".**
Other requirements	> Grade A milk goods from Europe should be approved and listed by the **Inter-State Conference of Milk Shipments (IMS)**, with specific requirements in regards to pasteurisation.	> The German law forbids the **advertising of cheese** on TV before 9pm.

Appendix 48.1.: ***Entry Mode Assessment***



(Carpenter and Sanders 2014; Gomes et al. 2011)

Appendix 48.2.: ***Advantages and Disadvantages of each Entry Mode***

	Entry Mode	Advantages	Disadvantages
TRADE	***Exporting***	Quick entry, High ownership, Low risk and resource commitment , More Flexibility	Low control, market knowledge
CONTRACTING	***Licensing and Franchising***	Quick and easier entry, low risk and cost, high support and security	Little control, low returns, licensee can become a competitor, dependency upon the licensor/franchisor, can ruin the reputation, rely on franchisee/licensee performance, payment of royalty fee, difficulty in controlling financial reporting
	Other non-equity Strategic Alliance	Knowledge & capabilities sharing, no equity sharing, less financial commitment, local ally's high market know-how, increase brand awareness	Moderate control, potential dependency upon the ally, misrepresentation and misappropriation of the alliance, poor contract development
INVESTMNET	***Equity Strategic Alliance (i.e. JVs)***	Shared costs and investment, reduced risk, local partner's high market know-how, easier adaptation and penetration	Higher costs than the method above, cultural integration problems, potential different expectations, not an equal distribution of work and resources
	Acquisition	Quick access to new markets, access to capital and knowledge, market power, reduced entry barriers	High cost, integration problems with the acquired firm, problems of merging with domestic operations, complex negotiations
	Greenfield Investment	Acquisition of local market knowledge, maximum control, achievable economies of scale and scope, bypassing of trade restrictions, potential above-average returns	High cost and risk, low set up time slows down the entrance, time consuming, potential government restrictions against FDI

(Carpenter and Sanders 2014; Gomes et al. 2011; Hitt et al. 2009)

Appendix 49: ***Business Model Canvas***

DELIVER VALUE				CREATE VALUE
KEY PARTNERS	**KEY ACTIVITIES**	**VALUE PROPOSITION**	**CUSTOMER RELATIONSHIPS**	**CUSTOMER SEGMENTS**
> **Milk Suppliers** (Raw Material) > **Transport/Freight Companies** (Products' shipment) >Importers/Wholesalers/Distributors **(Strategic Alliance Partners)** > **Retailers/HORECA** (specialized retailers in gourmet food, traditional groceries, Hotels, Restaurants, Cafes)	> Support activities + Labelling and Packaging (S4) > Transportation (Transport/Freight Companies) >Importation+Storage+Distribution +Sales&Service to retailers (Strategic Partners) > Marketing (S4 + Support from Strategic Partners) > Sales + in store promotion to final consumers (Retailers)	> ***Final Customers*** S4's high-quality cured cheeses that stand for market expertise, regional Portuguese tradition and exclusive and exceptional eating experience provided > ***Retailers*** Added value to their portfolio offer (S4 is a manufacturer with more than 100 years of expertise), deliver quality products to market, distinctive flavours and textures, tradition, compliance with time of deliver and a pricing strategy tailored to the industry average and demands	> ***Final Customer*** Building brand loyalty through quality, value for tradition and eating experience > ***Retailers*** Active and personalized relationship management to gain market feedback, analysis and build loyalty	> ***Final Customer*** Value quality products, willing to pay more for quality and distinction > ***Retailers*** More high-end retailers operating in the gourmet food and cheese category
	KEY RESOURCES		**CHANNELS**	
	> **Physical** - Cheese production facilities, labelling&packaging, storage, distribution network > **Intellectual** - Brand IP, regulatory requirements, strategic partners' know-how > **Financial** - Own Assets to invest in the expansion > **Human** - Key Partners + S4's employees (namely New Business Developer to manage the alliance and expansion)		> **Strategic Allies**' channels (as wholesalers) > **HORECA** + **Specialized gourmet Retailers** > **Online channels** (Alliance partners, S4's and retailers' website and social media)	
COST STRUCTURE				**REVENUES STREAM**
Cost of Goods Sold Corporation Income tax Personnel expenses Transportation Costs Shared Earnings with Strategic Partners Marketing budget (promotion activities online and offline)				Sales Revenues Price Premiums to final customers (focused differentiation strategy)
		CAPTURE VALUE		

Appendix 50: *U.S. Potential Partners presentation*

Partner	Type	Description	Size	Product Range	Geographical Presence
A & B Distributors	Importer/ Wholesaler	> **40 years of expertise;** > **Focus on warehousing, distribution and resell** to restaurants and other businesses across HORECA channel in the East and Middle Tenessee region; > **Gourmet food leader in Tennessee;** > **High-quality** service recognition; > Experience with imported cheeses.	> 2018 Turnover: **21 million** USD.	> **Large food portfolio** including beverages, vegetables and cheese; > **Within cheeses includes both domestic and imported references;** > **Imported cheeses from Europe:** Spain, Italy, Denmark, UK and Netherlands.	> **Limited reach to Tennessee state;** **<u>Downside:</u>** Geographic limitation might harm S4's future growth prospects in the U.S. market .
Deco Food Service	Wholesaler	> **40 years of expertise;** > **Family-owned business,** recognized as premium food distributor; > Shows **ability to innovate and expand** its products offer; > Sells to several companies across the HORECA channel and final consumer.	> 2018 Turnover: **1,82 million** USD; **<u>Downside:</u>** Low turnover, which may represent a risk for S4.	> **Wide product range** with 112 thousand products from 830 different worlwide suppliers; > Within Cheese category it distributes 93 different options, both domestic and international references; > **International cheeses' range relying mainly on Italian references.**	> Based in California with a large presence in that region; > Opportunity **for S4 since one of the largest protuguese comunities is there;** > Relevant player also in Arizona and Nevada.
Forever Cheese	Importer/ Wholesaler	> For more than **20 years** specialized in **imports of artisan cheese** and unique products from the Mediterranean region; > **High attention to traditional origin and authenticity;** > Craefully **selects specialties from trusted European producers;** > **Close relationship with customers;** > Cumulative experience in the cheese market and within **European partners.**	> 2019 Turnover: **2 million** USD; **<u>Downside:</u>** Low turnover, which may represent a risk for S4.	> **Large product portfolio** composed by cheeses and specialty accompaniments such as dry fruits, chocolate etc; > Within Cheese category it **represents exclusively specialty imported references including PDOs;** > **Cheese offer from Portugal, Spain, Italy and Croatia**;	> Based in New York City; > Its distribution network **covers most of the country;** > A significant number of **clients are located in the East Cost** region; > **Might potentially reach Portuguese communities.**

(A&B Distributors 2020; Deco Food Service 2020; Forever Cheese 2020; ORBIS 2020)

Partner	Type	Description	Size	Product Range	Geographical Presence
Gourmet Foods International	Importer/ Wholesaler	> **50 years experience;** > **Full-service wholesaler;** > **Large set of capabilities:** logistics, warehousing, direct importing and merchandising; > **Focus on specialty foods** (cheese and other food products); > Large network among U.S. retailers and worlwide.	> 2019 Turnover: **40,2 million** USD.	> Large products' offer with **around 1180 cheeses references;** > Offers both American and imported cheeses; > **European cheeses offer:** Specialty cured cheeses from Italy (*Vivaldi*) and Netherlands and other types from Ireland; >Own brand *La bonne Vie* for fresh, chevrè and brie cheeses.	> Broad reach in U.S. being present with 8 facilities in California, Colorado, Texas, Wisconsin, Florida, Georgia, North Carolina and New Jersey; > Opportunity for S4 due to the **proximity to portuguese communities namely California, New Jersey and Florida.**
Gourmet Imports	Importer	> **Focus on cheese and other gourmet premium food products;** > **Responsible for distributing high-end products** mainly to the HORECA channel (Chefs and culinary professionals) but also specialized retailers; > Quality and Integrity are key values.	> 2019 Turnover: **4 million** USD.	> Large offer including **2000 different culinary products** such as caviar, charcuterie, pâtés, etc and **more than 300 cheeses' references;** > **Wide and diversified cheese portfolio**, with distinctive flavours and textures; > **Imports several specialty cheeses from Europe: Italy, France, Spain, Germany**, Netherlands, Belgium, Portugal, England and Switzerland.	> Established in Los Angels and highly concentrated there; > To deliver food outside LA, the company needs the support from distribution partners; > **Downside** for S4: potential lower retailers' reach and increasing costs due to distribution outsourcing.

(Gourmet Foods International 2020; Gourmet Imports 2020; ORBIS 2020)

Partner	Type	Description	Size	Product Range	Geographical Presence
Norseland Inc.	Importer/ Wholesaler/ Producer	> **Specialty cheese specialist for over 40 years;** > **Wholly-owned subsidiary** of TINE SA (Norwegian largest co-operative of dairy farmers); > **Key Capabilities:** Distribution of both domestic and international cheeses, Logistics, Sales and Marketing support, Customer Service; > Initially expanded to U.S. to sell the Norwegian Jarlsberg cheese but rapidly expanded its offer to other brands; > **Large experience with imported cheeses.**	> 2018 Turnover: **63 million** USD.	> **Large portfolio of cheeses from international partners;** > **6 different owned brands:** the signature brand *Jarlsberg* , *Snøfrisk* and *Brunost* (Norwegian), *Lotito Foods* and *Folios* (American) and *Ilchester* (Finest Britsh cheeses); > **Specialty imports' partners:** French cheeses under *Couturier* and *Soignon* brands, Italian cheeses namely *Parmigiano* and *Igor* , Spanish brand *Garcia Baquero* and gouda cheese from the Dutch *Old Amsterdam.*	> **Large reach in the East Cost region;** > Based near New York City, being **close to** Massachusetts, Rode Usland and New Jersey, which represent some of the states with the **largest Portuguese Communities.**
Shuman Cheese	Producer/ Wholesaler	> **75 years of cheese experts;** > Experienced in Specialty Cheese making, exporting, processing and product innovation; > Other services: Packaging and distribution; > 4 producing facilities; **Downside:** Its main objective: **learn form experienced European manufacturers to develop its own cheeses** which may represent a risk for S4.	> 2019 Turnover: **163 million** USD; **Downside:** May lead to unequal forces in the alliance agreement.	> **Wide portfolio of domestic cheeses;** > **Strong variety of european cheeses' references;** > Works with Italian, Greek, Swiss, Belgium and Spanish brands; > Attention to maintain regional tradition in the production methods; > **Acquires European knowledge to produce its own award-winning cheeses.**	> **Provides cheeses to** retail parteners, clubs, convenience stores, independent food services and restaurants; > It **has a global export business** for food service, food manufacturing, clubs and retail clients around the world.

(ORBIS 2020; Norseland Inc. 2020; Schuman Cheese 2020)

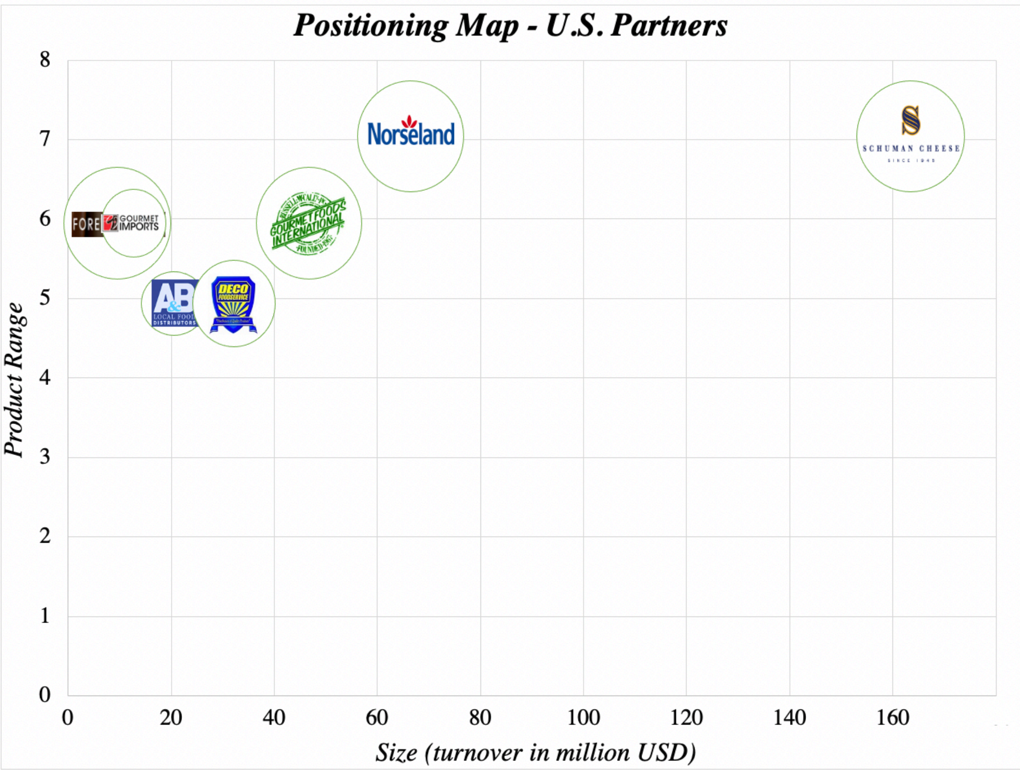
Appendix 51: *U.S. Potential Partners Screening Criteria*

U.S. CRITERIA	
Size	Turnover (in million USD)
Product Range	Breadth (food with general cheese – 1; food with specialties – 2; exclusively specialty cheeses - 3 points) Depth (few options -1; medium - 2; many - 3 points) European extension (Yes - 1; No - 0)
Geographic presence	Retail landscape (small - 1; medium - 2; large - 3 points)* Proximity to Portuguese communities (Yes - 1; No - 0)**

** retailers and/or services the companies can reach (retailers, specialized stores, HORECA);*
for unclear information on the #facilities or presence in chains, the points were attributed based on the companies' turnover (higher turnover meaning higher reach)
*** for unclear information the proximity to Portuguese communities was assessed based on the retail landscape (higher retail landscape meaning the company reaches Portuguese communities)*

CRITERIA		*Gourmet Foods International*	*A&B Distributors*	*DecoFood Services*	*Schuman Cheese*	*Norseland*	*Gourmet Imports*	*Forever Cheese*
X axis - Size (turnover in million USD)		40,20	19,60	33,00	163,00	64,60	4,06	3,76
Yaxis - Product Range	Breadth	2	2	2	3	3	2	2
	Depth	3	2	2	3	3	3	3
	European extension	1	1	1	1	1	1	1
	Sum	6	5	5	7	7	6	6
Geographic presence	Retail landscape	3	1	2	3	3	2	3
	Proximity to Portuguese communities	1	0	1	1	1	1	1
	Sum	4	1	3	4	4	3	4

Appendix 52: *U.S. Potential Partners Positioning Map*



Appendix 53: ***Detailed comparison of Top 3 U.S. Partners***

Partners	Strenghts	Value-Chain Coordination points	Opportunities for S4
Forever Cheese	> **Leading importer of fine artisan cheese** and accompaniments **from the Mediterranean;** > 20 years experience and based in New York; > **Only sells cheeses and accoumpainments from Italy, Spain, Portugal and Croatia**; > **Rigorous selection of the imported cheeses:** quality standards, flavor profile and autenthicity; > **Attention to PDO's,** some among product portfolio; > Blog page were they present the main attributes of the products, producers' profile and news, events, press, etc.	*Distribution* *Marketing* *Sales*	> Opportunity to **reach Portuguese communities** (such as New Jersey); > Exclusive opportunity to truly **enhance the Portuguese origin;** > **Quality standards fit** with S4 values; > The **attention it gives to tradition**, by communicating it to consumers is important to keep the most added value of PDO'S cheeses and other cured specialties.
Gourmet Foods International	> **Large span of services:** warehousing, distribution, logistics, marketing, merchandising; > Wide geographic presence, with **many facilities across the country;** > Large portflio **reaching different segments, not only cheese**; > Specialty cheese from Italy and Netherlands; <u>**Downside:**</u> **by being present in so many food segments, the cheese category is less highlighted.**	*Distribution* *Marketing* *Merchandising* *Sales*	> Extend capabilities of the firm enable to optimize processes; > The vast presence enables to **reach Portuguese communities;** > Brand image and Communication Strategy **tailored to the american target consumers.**
Norseland Inc.	> **Strong capabilities**: distribution, logistics, sales, innovation, marketing and customer service; > **40 years specialty cheese expert;** > Large and **diversified portfolio of only European brands-partners**; > **High sales landscape**, reaching food services and retailers; > Based in New York	*Distribution* *Marketing* *Sales* *Customer Service*	> **Optimization of logistics'** activities due to Norseland know-how on the american market; > Strong **brand image and Communication Strategy** tailored to the american target consumers, might enhance S4's brand; > **Meets the current requirements of S4**, and will not compromise the brand competitive advantage > **Proximity to** New Jersey were there is one of the biggest **Portuguese communities.**

(Forever Cheese 2020; Gourmet Foods International 2020; Norseland Inc. 2020)

Appendix 54: *German Potential Partners presentation*

Partner	Type	Description	Size	Product Range	Geographical Presence
Frisch Konzept Service	Trader	> **Multi-service specialist in the cheese category;** > **Services offered:** Procurement, Cheese Cutting & Packaging , Logistics, Sales and Marketing support, **with high focus on support to retailers;** > Expertise of an **advisor and supplier to marketing cheese** in the food retail service and fresh prepacked segment with tailor-made solutions for stores.	> 2018 Turnover: **38 million** USD.	> **Extensive range of diversified cheeses;** > Offers different types of freshly cut pre-packed cheese; > Diverse cheese selection in the groups of hard and semi-hard cheese; > In the hard and semi-hard cheese area, they have a targeted selection of organic cheeses; > **Specialty cheese from first-class cheese regions in Europe, namely Spain, Italy and Switzerland.**	> Based in Germany with a significant reach due to the services it provides; > Supports food retailers in being able to offer the full range of products; > **Strong supply-chain & logistics capacities** to guarentee an effective delivery
Fritz Bendel	Wholesaler	> **85 years well-known cheese expert;** > Acts as sales representative of many European companies; > Well-positioned among European customers and suppliers; > Delivers products and adapts packaging and size depending on clients demands;	> 2019 Turnover: **20,7 million** USD; > **Annual sales volume:** 12.000 tons	> **Solid cheeses' portfolio range,** from the most classic to distinctive and original ones both german and imported references; > **Offers grated and cream cheeses as well as Specialty varieties of goat and sheep (mainly from Italy);** > Also presents processed cheese and flavoured processed cheese for the industry.	> **Based in Kempten in the southern region of Germany** close to one of the biggest cities Munich; **> Distributes to other European markets;** **Downside:** Not so significant reach
Heiderbeck	Wholesaler	> **80 years expertise in the cheese industry** reaching a market leading position; > Specialized in the distribution of **high-quality specialty cheeses** and **refrigerated gourmet food**; > High-quality standards and and **close attention to the regional, authenticity and unique attributes of the products' offer, valuing** innovative cheese makers and fine producers.	> 2019 Turnover: **30 million** USD.	> **Products from European leading cheese & gourmet food producers, namely** with a focus on Italy, Austria, Switzerland and France; > **Supplied by around 200 manufacturers** (From artisanal dairy farms to large producers); > It guarantees a large range of specialities in stock and a varied offered of pre-ordered cheeses.	> **Situated close to Munich reach the biggest cities;** **> Flexible and wide distribution network:** its offer encompasses the areas of cheese and gourmet foods for deli counters, fast food and sef-service counters, food services, private label products for the food retail trade and a coordinated product range for wholesale distribution.

(Frisch Konzept Service 2020; Fritz Bendel 2020; Heiderbeck 2020; ORBIS 2020)

Partner	Type	Description	Size	Product Range	Geographical Presence
Ruswisch & Zuck	Wholesaler/ Trader	> **Leading company** in the cheese wholesale business for more than 100 years; > Owner-managed family business with a **focus in the cheese specialties trade**; > **Key capabilities:** Storage, Logistics, Sales, Marketing (i.e., counter service) and Advisory services (product range advice to its partners); > Provides **seminars, training courses and cerificates to its partners** among the specialty cheeses category; > Exclusive offer to wholesalers and retailers with valuable cheese counters; > Fast delivery (max 48 h) to gaurentee freshness (high products' turnover).	>2018 Turnover : **129 million** USD.	> **More than 2000 national and international cheese references;** > Cheeses' portfolio: Speciality, cured, mozzarella and other types; > **Diverse cheese selection from all Europe (19 different countries' offer**, including several references from **Portugal** namely Azores and Alentejo region); > Constinuous change in its products' offer to **accompany market trends and stay updated with new innovative cheese tastes and textures**.	> **All-around service** guarentees one of the largest selection of cheeses for German retailers; > Cheese center in Hannover (**4800m2 wharehouse with 2300 items ready to deliver**); > **Strong reach in the south of Germany** after the partnership with another company in this region; > **Guarentee of a fast and efficient delivery** service to German retailers and food industrials.
Tiho (Tiedemann & Homanner GmbH & Co KG)	Producer and Wholesaler	> **Over 70 years of market expertise;** **> Specialized wholesaler of dairy products** with a focus on cheese specialties; > Expert advice and **and training** to partners as a cheese specialist; > **Support in products' marketing and sales** (pricing and promotion namely at POS); > **On-time distribution** service and **high-quaility concerns**; > **Phylosophy:** Optimal performance oriented towards the business partners' needs.	> 2019 Turnover: **31,5 million** USD.	> **Strong competences among cheese specialties;** **> International assortment with over 2000 cheese specialties** from the Mediterranean regions to the North Cape; **> Specialty trade brands with excellent added value for customers;** > **Noticeable European offer** (Italy, France, etc); > High products turnover rate.	> **Wide presnece in the German market** - its warehouse is supplied by up to 30 manufacturers and suppliers every day; **> Own truck fleet for transporting goods to customers;** **> On-time and flexible delivery** due to Tiho fresh logistics (i.e., it is possible to provide 2 deliveries to each customer per week).

(ORBIS 2020; Ruswisch & Zuck 2020; Tiho 2020)

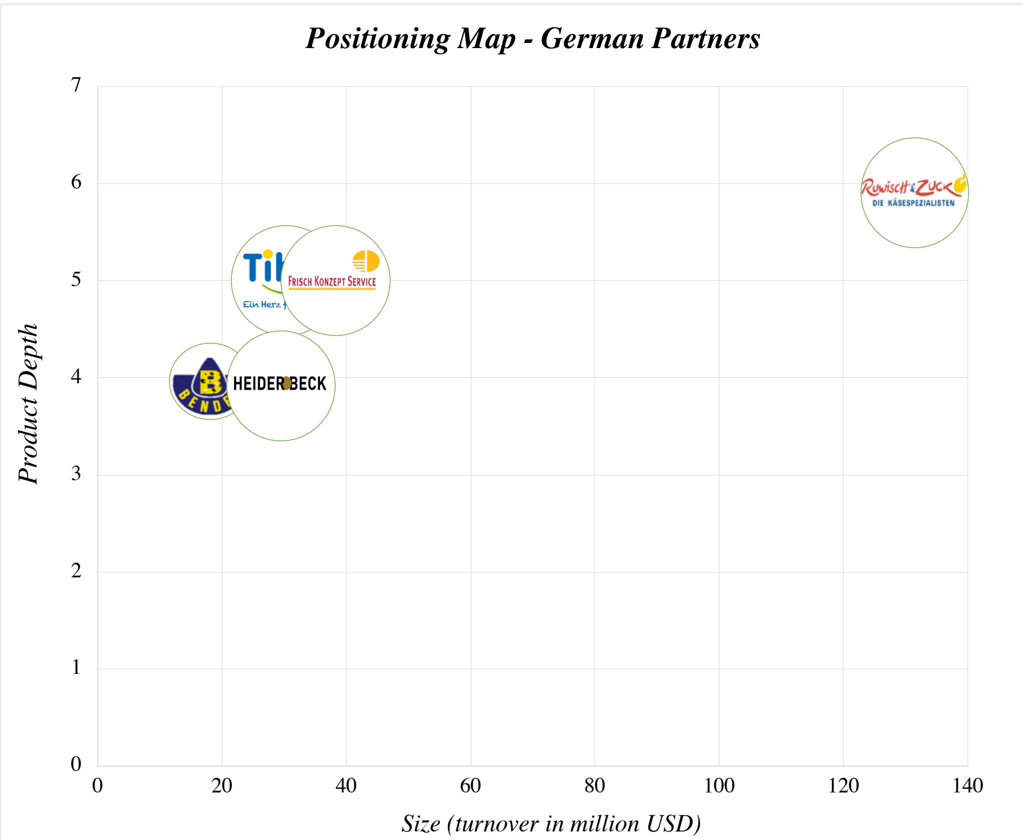
Appendix 55: *German Potential Partners Screening Criteria*

GERMANY CRITERIA	
Size	Turnover (in million USD)
Product Range	Depth (few options of specialty cheeses -1; medium - 2; many - 3 points) European extension (small - 1; medium-2; high - 3 points)
Geographic presence	Retail landscape (small - 1; medium - 2points; large - 3 points)*

** retailers and/or services the companies can reach (retailers, specialized stores, HORECA); for unclear information on the #facilities or presence in chains, the points were attributed based on the turnover (higher turnover meaning higher reach)*

CRITERIA		***Heiderbeck***	***Ruwisch & Zuck***	***Fritz Bendel***	***Tiho***	***Frisch Konzept***
X axis - Size (turnover in million USD)		30,00	129,00	20,70	31,50	38,00
Y axis - Product Range	Depth	2	3	1	3	3
	European extension	2	3	3	2	2
	Sum	4	6	4	5	5
Geographic presence	Retail landscape	3	3	2	3	3

Appendix 56: *German Potential Partners Positioning Map*



Appendix 57: *Detailed comparison of Top 2 German Partners*

Partners	Strenghts	Value-Chain Coordination points	Opportunities for S4
Heiderbeck	> Several capabilities: **sales, marketing, training, field services, customer care with high level specialists**; > **80years of market experience,** with attention to highest quality standards; > **Reaches the best sellers with high resell rates** through specialities or gourmet cheeses from small dairy firms; > **Partnerships with more than 10 European countries** and 200 manufactures; > Promotion, dessimination and **preservation of the local cheese cultures**; > Wide **retail landscape**: deli counters, fast food counters, self-service counters, food services, etc; > High and **solid support for partners** in key activities; > Extensive and qualified range of cheeses from European selected reliable cheese manufacturers; > Has a training Academy and collaborates with partners to develop new products tailored to the German consumers; > Communication on website of relevat partners' news; Newsletter and *Heiderbeck TV.*	*Distribution* *Field Services Management* *Marketing* *Sales* *Customer Care*	> Extend capabilities and market expertise of the firm **enable to optimize processes;** > **Key Account management, logistics, marketing and other added value services to the partner** can help Santiago efficiently penetrate several channels and have a quick "time to market"; > **Products act as specific-country ambassadors**, hence is an opportunity to enhance Portuguese origin without compromisng the brand identy rather enhancing it; > **The constant efforts and support** looking for trend products to match demand constitutes an opportunity to push Santiago on developing new products.
Tiho	> **Large span of services:** distribution, logistics, training, marketing and sales; > On-time deliver with a large geographic reach; > **Quality tradition** with Certification according to DIN EN ISO 9001; > Large and diversified portfolio of **European brands-partners**, namely from the Mediterranean regions to the North Cape; > Online commodity training and practice-oriented day seminars > Constantly changing **country-specific focus** offers with advertising support > Consistent and relevant information provided about each partners-product portfolio, with clear history and origin of the product, nutritional information, etc > Tasting advertising using trained and expert advertising promoters	*Distribution* *Marketing* *Sales*	> **Wide and efficient distribution network** and overall logistics; > Quality requirements and emphasis, **matches S4's competitive advantage;** **> The support and training guarenteed**, in regards to the german market, may be an opportunity for the partnership development; > **The consistent and strong marketing, sales promotion and communication** allows to consolidate individual brands' awareness and image, without compromising the specific-country origin.

(Heiderbeck 2020; Tiho 2020)