

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

PORTUGUESE SME - FIELD LAB ON INTERNATIONALISATION
The case of Bakery Goods in the United States of America

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Abstract

The project aims to provide a solid base for Company B, a small Portuguese company, to decide where and how to internationalise operations. First, the countries with the highest potential were selected: the United States of America, Norway, Germany, France, and Spain. Subsequently, in-depth analyses of these countries were performed; in this report, only the one for the United States of America is presented, which resulted in the highest potential market being identified as France. Finally, an implementation plan was conducted. This paper also includes a literature review on International Market Selection.

Keywords: Internationalisation, Market Entry Strategy, International Market Selection, Strategic Analysis, Industry Analysis

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Table of Contents

1. Introduction	3
2. Research Methods	4
3. Strategic Analysis of the Company's Situation	5
3.1 Firm Overview and Project Background	5
3.2 Market/Industry Analysis	13
3.3 Firm-Specific Advantage	25
3.4 Diagnosis for Internationalisation	28
4. International Market Selection – Phase One	36
4.1 International Market Selection Literature Review	36
4.2 Country Selection Criteria	39
4.3 Country Clustering and Ranking	40
4.4 Selection of Highest Potential Markets	43
5. International Market Selection – Phase Two	46
5.1 Countries in-depth Analysis	46
5.2 Selection of Target Market	53
6. International Entry Strategy	55
6.1 Selection Criteria	55
6.2 Analysis of Alternative Entry Modes	58
6.3 Entry Mode Selection	61
7. Marketing Plan	62
7.1 Marketing Objectives	63
7.2 Segmentation	64
7.3 Targeting	66
7.4 Positioning	67
7.5 Marketing Mix – 4 Ps	69
8. Financial Forecast	75
8.1 Assumptions	75
8.2 Market Size and Market Share Estimation	75
8.3 Operational Plan	76
8.4 Investment Plan	80
8.5 Financing Plan	81
8.6 Financial Viability	82
8.7 Sensitivity and Scenario Analysis	84
9. Overall Conclusions and Recommendations	86
10. References	88
11. Appendices	102

1. Introduction

Internationalisation, as a form of increasing revenue in an economic environment, describes the process of a company taking their product and offering it outside of their home country to increase market share and volume on international markets (Hayes (a) 2021). However, the desire for internationalisation is often driven not only by the aspiration for growth but also access to lower labour, production and supply costs or compensation for saturating demand on the domestic market (IESE Business School 2015).

This project aims to evaluate Company B's (henceforth referred also as B) strategic situation and build an **internationalisation strategy** tailored to the company and their needs. An internationalisation would not only mean a substantially more potential of sales volumes for B but, more importantly, the chance for a more diversified income stream. S and AO were known for baking and cooking excellent and authentic Brazilian food for family and friends. When the demand increased, and even small companies started reaching out, both realized a business opportunity. As a result, in 2001, the family business B was founded with a product portfolio of **traditional Brazilian bakery goods**. Over 20 years later, it is a fully established business in the food industry in Portugal with customers all around the country and even some cross-country Brazilian specialized stores, all with the aim of following their dream to bring Brazilian cuisine closer to everyone. The company generated about 5.75M€ operating revenue in the year 2021. Both founders equally divide shares, and the company looks forward to growing its business internationally. B's aspiration to internationalize is driven by two main factors, the push factor of the **Portuguese market** being quite **saturated** for B's specific offering and the pull factor from international markets, with the desire of accompanying **large-scale customers**. The report is structured to focus on four primary areas, the **company situational analysis**, an analysis of the **external environment** surrounding B, the **market selection** for internationalization, and an **implementation plan**. First, the company situation analysis will

include a detailed overview of the company background, an industry analysis, B's firm-specific advantages and a diagnosis of the rationale behind the internationalisation. Secondly, the international market selection will be divided into two phases, with an in-depth analysis of the top five countries established in the earlier steps. Concluding on one final country, an international market entry strategy will be presented. Finally, to complete an implementation plan, a financial forecast and a marketing plan will be established.

2. Research Methods

For the project's aim and to establish a productive and trustful relationship with the company, the group conducted several meetings with **QM**, the daughter of the founders of Company B. QM is part of the administration department and therefore was able to provide the group with comprehensive information and documents as well as a deeper understanding of the motives and rationales of the companies' processes. The information provided by the company represents the **primary data** that this report is built upon regarding financial documents and company-specific information. These documents included a balance sheet, income statement, list of suppliers, organizational chart, and an accounting overview. **Secondary Data** was retrieved from databases such as The World Bank, Passport of Euromonitor, Orbis and Statista (Attachment a) for a complete list). Secondary Data primarily included **market** and **industry reports** as well as general economic information on an international level. The Nova SBE team met twice with the company representative throughout the course of this project, both online and on-site, at B's headquarters. Once through a one-hour virtual meeting on September 12th (Attachment b)), to introduce the team members that will conduct the project from the Nova SBE side and establish a good relationship with B, something deemed crucial for successfully implementing the project.

Moreover, the goal for the **first initial meeting** was to obtain further information required for the first phase of the project as well as request necessary documents to analyze the company's

strategic processes, such as financial and income statements. Another **second meeting** was conducted at the manufacturing plant on September 22nd (Attachment c) &d)). Through the 90-minute meeting, the Nova SBE team received a tour of the premises and the product manufacturing process. Afterwards, the team and the company representative QM got the chance to sit down, taste the products and further gain knowledge into the drivers for the internationalization project as well as the company's criteria, preferences, and requirements for the internationalization. Moreover, two short phone calls were conducted throughout the project for urgent matters and short clarifications. The first call was merely three minutes to inform Company B of the chosen countries and what the further steps will be. The second phone call of three minutes was to clarify doubts, production processes and product prices. In addition, the company's representative was consulted throughout crucial stages to develop the optimal plan consistent with B's values and objectives. These consultations were often also conducted through mail or texts, mainly necessary in selecting target countries and the entry mode for the chosen country. The company was informed and updated throughout the project with all the significant results and decisions made by the Nova SBE team, such as the decision for countries and the selection process. Finally, due to the limited information from academically accredited sources, it was required to extend the exploration to find suitable information for B's industry and the analysis of potential countries (Attachment a)).

3. Strategic Analysis of the Company's Situation

3.1 Firm Overview and Project Background

3.1.1 Profile and Management

Company B is a Portuguese food manufacturer specialized in **Brazilian** and **Portuguese savoury** cuisine. A family of Brazilian emigrants founded the company in Portugal in 2001, selling snacks to family and friends before expanding to coffee shops and bars. B's product line, which began with the classic Brazilian snack *Pão de Queijo*, now includes additional

savoury delicacies, such as *Empada de Frango* or *Croquete de Carne*, sold both frozen and freshly baked, offering not only Brazilian but also traditional Portuguese cuisine.

Since its founding, the company has grown sustainably and organically, employing **27 employees**, and supplying Hotels, Restaurants, Cafés (short HORECA), supermarkets, grocery stores, Brazilian community stores, and minimarkets. It is considered a small family business and is structured as illustrated in Figure 1. The company distributes most of its products to

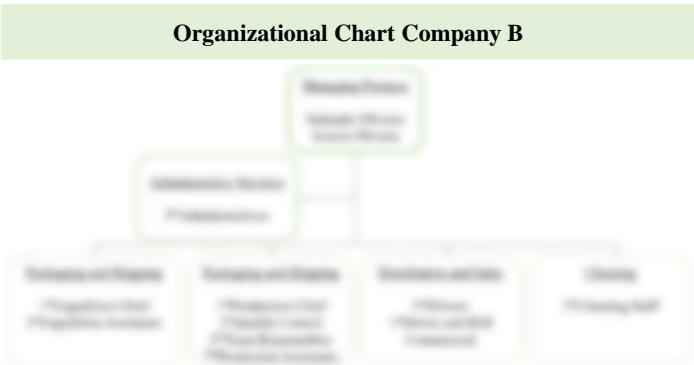


Figure 1 - Organizational Chart Company B

domestic customers. Nevertheless, due to increasing foreign sales, it is determined to extend its international activities and attract new clientele abroad. B **exported** around 20% of its production to Spain, Italy, Belgium,

France, Germany, and Austria in the first half of 2022.

3.1.2 Product/Business Portfolio

Company B is currently producing 19 products (Figure 2) for a selected list of products, (Appendix 1 for the entire selection), which are part of the **savoury baked food category**. For

Figure 2 - Selected Products Offering without Variants

Company B’s products sold throughout Portugal and Europe, the primary **raw materials** required for production are wheat flour, catupiry cheese, sunflower oil, and chicken breast (M (a) 2022). All but

one product are supplied frozen in several sizes and, if desired, label-free (Ibid.). The “Party Kit” is the only product sold freshly baked during weekends directly to the end consumer living in the Greater Lisbon area (Ibid.). Since 2021, B sells *Pão de Queijo* in smaller packaging, 500g instead of 2kg, allowing easy storage in home freezers (Ibid.).

3.1.3 Operations, Positioning and Strategy

The following section will introduce further knowledge into the firm overview of Company B and the internationalization project, discussing operations, positioning, and strategy.

First, business **operations** will be assessed. Some essential business operations for Company B are manufacturing, sales, customer service, and order management. Considering an approach along the Value Chain, B conducts most operational procedures internally, from order management, over manufacturing to sales management, distribution, and customer service. B's business operations start with the purchase of raw materials. B does not have one fixed supplier for all resources. Approximately once a week, products are purchased from various providers at the lowest possible cost. Before production, B's customer service contacts regular customers weekly or daily to obtain orders. Customers place orders through text messages, phone calls, and emails. After orders have been processed, production will commence. In a second step, the goods are produced in two shifts to maximise output. Due to a lack of production space in the facility, there is not enough production capacity to meet the potential demand, despite B's employees already working two shifts. After being manufactured, the products will be deep-frozen in preparation for the packing process. This stage revealed another enormous challenge for B, as the freezers are continuously crowded with products, suggesting a severe lack of storage capacity. Depending on when the products will be delivered to the customer, they will either be stored or sent out immediately after packaging. In the case of a HORECA customer in the metropolitan area of Lisbon, B will use its referer vehicles to deliver the products directly to the customer. For international and large-scale clients, the shipping process is usually handled by the client, who will pick up the frozen products from B's warehouse. Therefore, the efficient organization of B's operations is essential if the firm is to guarantee the intended positioning of its products.

Company B's **positioning** corresponds to the company's values of striving for excellence to

ensure integrity. B produces high-quality products that meet the criteria and needs of small cafés in the HORECA industry, supermarket chains, and Brazilian specialized supermarkets. Chapter 4.4.2 will further analyze the firm's positioning as part of the analysis of its competitive advantages. Finally, the **strategy B** follows towards success is through vision, mission, and values. For instance, B's vision is to make Brazilian cuisine accessible to everyone. The company's following statement supports the vision: "Company B aims to make available to all Europe and the rest of the world what we do in Portugal - with the taste of Brazil." (Company B 2022). Furthermore, the vision statement deeply embedded in the company's DNA supports B's values. The values are respect for all stakeholders and shareholders, the greatest aspirational level of customer satisfaction, and excellence in work (Company B 2022). Given that the organization's principles sustain these elements of the vision statement, it appears that there is an aligned strategy to support the company's vision. B's business strategy is growth through shifting its customer base towards bigger clients, commitment to operational excellence and long-term orientation through building sustainable and shared value by allowing more consumers to taste their traditional recipes.

3.1.4 End User Product to be internationalised

In the first meeting, Company B clearly stated that the company wanted to change its domestic and international strategy. The company established that it is beneficial to discontinue the production of some products, such as *Pão Misto* and *Esfilha de Frango e Queijo*, as the production requires more steps and the profit margins are smaller in comparison to other goods (M (b) 2022). Reducing the product portfolio will allow B to focus on its most profitable products, improving efficiency, creating economies of scale, and consequently increasing its bottom line. According to the company's preferences, the four most profitable products that will be considered for internationalisation are *Pão de Queijo*, *Empada de Frango e Queijo*

Catupiry, Mini Coxinha de Frango Com Queijo Catupiry and Tarte de Frango e Catupiry (Figure 3).

The products will only be sold frozen as fresh food has a limited expiration date, making it more complex for cross-border sales. Furthermore, each product will be sold in two different sizes, one smaller to match the end



Figure 3 - Products to be Internationalised

consumer’s demand and one bigger to better appeal to the needs of the retailers. *Pão de Queijo* will be sold in packages of 500g and 2kg, *Mini Coxinha de Frango com Queijo Capurity* in packages of 500g and 1kg, *Empada de Frango com Queijo Catupiry* in boxes of 12 and 48 units, and *Tarte de Frango com Queijo Catupiry* in boxes of four- and twenty-units box.

3.1.5 Financial Overview

The following paragraph analyses Company B’s financial performance from 2017 until 2021. Overall, B recovered strongly from the economic downturn caused by the Covid-19 pandemic and is currently exceeding pre-pandemic sales and recovering after a difficult 2020 (Figure 4).

	2017	2018	2019	2020	2021
Revenue	3,540	3,540	3,540	3,540	3,540
Gross Profit	2,020	2,020	2,020	2,020	2,020
Operating Expenses	1,520	1,520	1,520	1,520	1,520
Operating Profit	2,020	2,020	2,020	2,020	2,020
Net Profit	2,020	2,020	2,020	2,020	2,020

Figure 4 - Income Statement

Company B’s revenue for the fiscal year **2017** reached 3,540k€ with a gross profit of 2,020k€. The company’s most significant operating expenses were mainly related to personnel cost (35% of sales) and external supplies and services (26% of sales), which includes cost positions such

as specialized services, maintenance, marketing, and banking expenses. After accounting for depreciation, tax and interest, the company is left with a negative net profit of -400k€ (margin of -11%) for the year. Net debt stood at 477.5k€, showing a healthy balance sheet and low leverage. Revenue for **2018** reached 4,350k€, increasing 23% year over year. Net income amounted to 298.5k€ for the period, significantly improving the net income margin to 7%. For the food processing sector, average margins were around 8.44% as of January 2022, which implies similar margins for B compared to industry peers (Damodaran (a) 2022). A positive cash flow of 465k€ contributed to the reduction of net debt to 217k€ at the end of 2018. Revenue for **2019** came in at 5.75M€, increasing 31% year over year and showing significant momentum. While revenue improved, margins deteriorated, resulting in a net income margin of just 2%, compared to 7% in 2018. Overall net income was 98k€ for the year. Lower margins were mainly driven by higher costs for external services, which increased to 24% of sales compared to 19% in 2018 and a declining gross margin. Net debt increased to 598k€ during the period. Like many companies throughout the world, B was impacted by the effects of the Covid-19 pandemic, which led to a decrease in consumption, supply chain problems and, most importantly, lockdowns, impacting sales and profitability (European Commission (b) 2020, Milinhos (a) and Costa 2020). This resulted in a significant decrease in revenues by 23%, consequently, a negative net income with -11% margin. The main drivers for this development were the lower revenue and, on the cost side, a significant increase in personnel costs, driven by an increase in employees from 24 in 2019 to 27 in **2020**, increasing costs by 15% Year on Year (henceforth YOY). Net debt increased significantly during the period and reached 1,024.5k€, which implies an increase of 70% year over year, lowering the financial leeway for financing future projects significantly. With easing restrictions worldwide in **2021**, B fully recovered from the external shock, reaching sales of 5.75M€, exceeding pre-pandemic levels. However, EBITDA and net income were not able to reach the previous high of 2018. Net debt

reached 1,032.5k€ at the end of 2021. Overall, B’s revenue grew 63% from 2017 until 2021, implying a Compound Annual Growth Rate (henceforth CAGR) of 13%. While net profit improved from 2017, it still has not reached its highs of 2018, thus showing improvement areas, for example (henceforth e.g.), tighter monitored OPEX expenses and personnel costs.

3.1.5.1 Cost Structure in 2021 and KPI

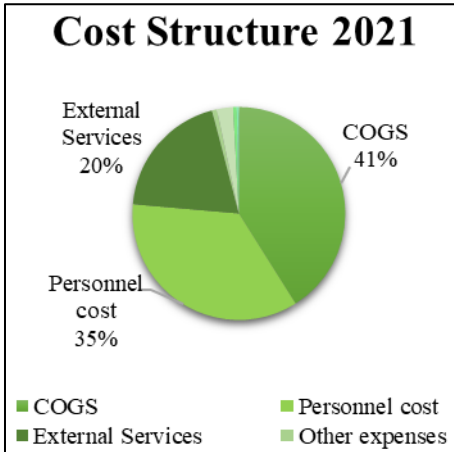


Figure 5 - Cost Structure 2021

Figure 5 shows Company B’s cost structure in 2021. COGS (e.g., raw materials like flour) accounts for 41% of all costs. Personnel costs account for 35% of costs, followed by external supplies and services at 20%. Less significant cost positions include other costs at 1%, depreciation and appreciation at 2%, interest expenses at 1%, and taxes only accounting for 0.3% of overall costs.

In 2021 Company B’s current ratio stood at 1.21 and its liquidity ratio at 1.16, both above 1, showing B’s ability to service its obligations. The collection period for 2021 was 165 days. Lowering the collection period could significantly improve liquidity and help lower financing needs in the future. ROCE using net income was 23.6% for 2021, improving from a negative value a year prior. The D/E of B is currently at 1.52, highly levered due to the significant increase in debt during the corona pandemic.

3.1.5.2 Financial Peer Comparison

The peer group is composed of the national companies, which are comparable by operating revenue, between 900k€ and 1,500k€; selected withing **two industry** classifications: NACE Rev. 2 1089, the same as Company B, and NACE Rev. 2 107x, as the focus is the baked goods industry. Orbis has been the source of primary data, and any company with missing data was excluded resulting in 67 companies (see Appendix 2 for the complete list). B’s sales growth is consistently superior to its competitors (Figure 6), apart from 2020 and 2017, the year of the



Figure 6 - Sales Growth Closest Peer Companies and B

CAGR of 11.12% against the Portuguese baked goods industry’s five-year CAGR of 1.1% (Passport Euromonitor International (b) 2021).

Covid-19 restrictions. Nevertheless, such a result is expected given B’s reliance on small HORECA, most of which were closed during the Covid-19 pandemic (Demony 2020). Overall, B presented a strong five-year

On the other hand, the **EBITDA margin** (Figure 7) fluctuates more in Company B’s case than in the selected competitors, leading to a less stable **Profit margin** (Figure 7).



Figure 7 - EBITDA and Profit Margin

Despite more robust sales growth, Company B operations are not efficient enough to ensure strong margins, as they are underperforming their peers, except for 2018 and 2021. Excluding 2020, B experienced a downward trend with a rebound in 2021 (Figure 7). Nevertheless, the outlook looks grim as commodity prices and international relations are worsening. Therefore,

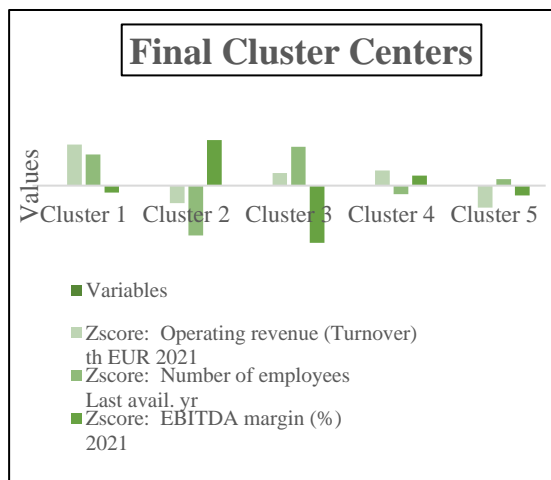


Figure 8 - Peer Companies Clustered

operating costs should be controlled carefully to achieve higher profitability in the upcoming years. According to the K-means method, the peer companies were clustered based on operating revenue, employee number and EBITDA margin in Fiscal Year (short FY) 2021. Five clusters have been identified (Figure 8):

Cluster 1 comprises six of the largest companies for average revenue and number of employees, with an average EBITDA margin. Cluster 2, which entails six companies, presents small companies with a very high EBITDA margin. Cluster 3 contains four companies with average revenue but a strongly negative EBITDA margin. B, with 24 other companies, is part of Cluster 4, where companies tendentially present slightly above-average revenue and EBITDA margin. Finally, 26 companies compose Cluster 5, which is specular to Cluster 4.

3.2 Market/Industry Analysis

3.2.1 PESTEL

In order to understand the industry scenario in which B finds itself immersed; it is fundamental to complete the analysis using the PESTEL framework. The industry of interest will be the food industry in its broader sense. The PESTEL framework was developed for the first time by Francis J. Aguilar in the book *Scanning the Business Environment* (1967) to analyze the environment in which the company is conducting business, as this impacts the company. In its original form, the PESTEL framework took into consideration only four factors: 1) **Political**, 2) **Economic**, 3) **Socio-cultural**, and 4) **Technological** (Ibid.). Further developments led to the addition of two other factors: 5) **Environmental** and 6) **Legal**. The PESTEL analysis will be structured by considering Portugal and the European Union (henceforth EU), as around 26% of the company's revenue (FY 2021) comes from other EU countries.

Political factor – Portugal is part of the EU (Gov.uk n.d.), which gives access to the European Single Market, further expanded by other trade agreements (European Union (b) 2022). Of relevance is the Deep and Comprehensive Free Trade Agreement with Ukraine (European Commission (d) n.d.), which reduced the import duties on most agricultural products to zero, of which Ukraine is the EU's primary supplier (Lananinen 2022). In Portugal, food can be subjected to a tax of 1) 6% for basic needs products, such as bread and milk, 2) 13% for processed food and food sold by restaurants, and 3) 23% for products not considered by other

categories (ePortugal n.d.). Furthermore, the corporate income tax is 21% (PWC (c) 2022).

Economic factor – The GDP of Portugal is expected to grow by 5.8% (Figure 9) in 2022, the highest among EU countries (Statista 2022). To tame inflation, the European Central Bank

GDP summary EU and Portugal				
Region	GDP	GPD growth	Inflation	
	2021	2021	2022 (estimated)	22-Aug
EU	14.5T€	5.40%	2.70%	9.10%
Portugal	211B€		5.80%	9.30%
Source: Statista, Eurostat				

started increasing the interest rates, which had been negative since 2014, to +0.75% (European Central Bank 2022), and it has plans to raise them

Figure 9 - Selected Macroeconomic Data

in the future (Koranyi and Canepa 2022). The current situation in Ukraine magnified inflation, as the prices of commodities, such as sunflower oil, wheat, oil, and natural gas, increased in the last nine months (Roy 2022). As a result, there is an overall worsening impact on the companies, as they have higher borrowing costs and commodity prices. Portuguese Consumer Expenditure on Food per capita is 19th worldwide and 13th in Europe, at 2,537.1€ (2021) (Passport Euromonitor International (i) 2022), with revenue generated by the baked goods industry accounting for 1.3B€ (Passport Euromonitor International (b) 2021). In terms of tariffs, Portugal adheres to the tariffs established within the EU in agreement with the World Trade Organization (henceforth WTO), which currently are 95€/ton for wheat and 148€/ton for durum wheat, while for sunflower oil, the tariff is 6.4% of the value (GAFTA 2018).

Sociocultural factor – Europe is experiencing a mix of slowing population growth (Eurostat (e) 2022) and an ageing population (Eurostat (a) 2022). Portugal presents a similar trend, with the population passing from 10.326M in 2016 to 10.141M in 2022 (-1.8%), and it is anticipated that this tendency will persist in the years to come (Statista (o) 2022). Among the EU, Portugal has a life expectancy higher than the average, with 81.1 years (2019) (OECD (b) 2021). Of the overall population, the number of immigrants in 2022 is 698,536, an increase of 5.6% compared to 2021 (SEFstat 2021). The 276k Brazilians (Ministério das Relações Exteriores 2020), have a significant influence over Portugal on the language and culture (Cerqueira and Stafford 2022).

Technological factor – In 2021, 92% of European households have access to the internet; in Portugal, this number stops at 87% (Eurostat (g) 2022); considering only mobile access, the number of users is 70% (Ceci 2022). Internet expansion and the pandemic allowed food-delivery services to prosper in the past years (Ahuja, et al. 2021). More importantly, AI is being used to improve agriculture’s efficiency and yields by analyzing soil and crop data and providing helpful information, which could lead to lower prices (Malapela 2017).

Environmental factor – The World Bank classified Portugal as “vulnerable to the climate change impacts” of floods and droughts (The World Bank (g) n.d.), which can have substantial impacts on crop yields, livestock and fishery (EPA n.d.). Therefore, to reduce emissions, Portugal introduced a carbon tax that prices carbon emissions by ton which currently amounts to 26\$/ton (Wu, et al. 2022), making polluting industries less profitable.

Legal factor – Companies that handle food must provide the hygiene safety standards that ASAE requires (SIMPLEX+ 2018) and ensure food safety following HACCP (Standards 2003). Furthermore, B must conform to Portuguese law regarding waste management (Lisboa 2021) and provide consumers with allergens information (SIMPLEX+ 2018, DGVA n.d.).

The presented PESTEL analysis delineates a worsened scenario for companies such as B, as 1) rising borrowing costs make loan requests more costly; 2) higher commodity prices reduce the profitability of the company; 3) there is currently a high uncertainty about the future, which makes it challenging to make decisions, and 4) the increasing interest towards sustainability will undoubtedly increase pressure on companies to reduce their footprint.

3.2.2 Porter’s Five Forces

Having a better understanding of the environment where Company B operates, namely **Portugal** and the EU, it is crucial to evaluate the attractiveness of the baked goods industry. Therefore, the industry’s strengths and weaknesses across Porter’s five forces were determined.

Threat of new entrants: (3/5) - The risk posed by new entrants is proportional to the amount

and intensity of entry barriers (Porter (a) 2008). In the case of building the capacity to produce baked goods, on the one hand, there is a need to invest in operational assets such as ovens. On the other hand, the level of **R&D** and **technology** required is low, and the knowledge is easy to access (Roe 2019). Furthermore, the access and relationship with distribution channels such as large retail store chains may represent an entry barrier due to the difficulty of entering those surfaces and the high retailer margins practiced (Roe 2019). Furthermore, **economies of scale** can reduce the economies' attractiveness, as current players in the market have higher production scales and access to raw materials at lower costs and production costs. However, that is not required for success (Roe 2019). Overall, despite some entry barriers, the threat of new entrants is considered medium due to the intensity level of the barriers.

Bargaining power of buyers: (4/5) - Buyers can be divided into two groups in the baked goods industry based on their buying power: smaller HORECA customers and larger supermarket chains or specialty stores. Lower dimension buyers, such as restaurants and cafés, have low bargaining power due to smaller order sizes and dependence on their provider. Larger customers, such as supermarket chains with multiple stores, have significant bargaining power due to bulk orders and **suppliers' dependency** on being present on their shelves to increase exposure (Pham 2019). Additionally, their wide range of substitute products lessens their reliance on traditional suppliers, giving them more bargaining leverage. Overall, considering the second group as the most important target of B, the bargaining power of buyers is high.

Threat of substitute products: (4/5) - Several products act as substitutes and are available on the same distribution channels. The threat of substitution is higher when substitute products have a good price-performance relation, and buyers have less differentiated preferences between alternatives (Porter (a) 2008). In this case, the **range of substitute products** is vast, and the price-performance is competitive (Roe 2019). However, the buyers tend to have preferences for specific products, depending on their taste and diet (Lindell 2021). Overall, the

threat of substitute products is high due to the extensive range of substitutes and their accessibility. Still, it is minimized by the fact that the buyers may have **differentiated preferences** towards the products.

Bargaining power of suppliers: (1/5) - The bargaining power of raw materials suppliers in the baked goods industry is relatively low, considering the low complexity and uniqueness implied in the supplied materials (Porter (a) 2008), such as flour, vegetable oil, eggs, and others. In addition, since raw materials have a **low level of diversification** among suppliers, suppliers in this industry become easily replaceable by their competitors and, therefore, must compete over pricing, product quality, and operational efficiency. Considering these factors, the frozen baked goods industry presents a low level of suppliers' bargaining power.

Intensity of rivalry: (3/5) - A market's intensity of rivalry is determined by the number of competitors and their capabilities. The baked goods **competitive landscape** is characterized by a relatively high number of players and a medium level of diversity (Expert Market Research 2022). However, food consumers are sensitive to quality differences and are loyal to the brands (Lindell 2021). Overall, intensity of rivalry is considered on an **intermediate level**, as despite quality differences being highly valued, there are many players in the market (Roe 2019).

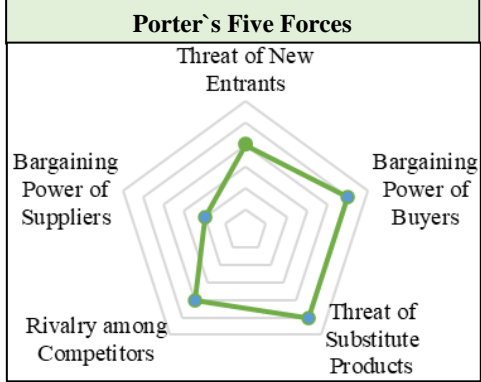


Figure 10 - Porter's Five Forces Company B

From Porter's Five Forces analysis (Figure 10), it is possible to conclude that the baked goods industry provides enough conditions to succeed. On the one hand, there are characteristics which enhance some challenges, namely the facts that buyers possess a high bargaining power and that there is a high threat of substitute products. On the other hand, the bargaining power of suppliers is relatively low, giving a negotiation advantage for companies positioned as B. At the same time, the threat of new entrants and rivalry among competitors neither present significant threats nor advantages.

bargaining power and that there is a high threat of substitute products. On the other hand, the bargaining power of suppliers is relatively low, giving a negotiation advantage for companies positioned as B. At the same time, the threat of new entrants and rivalry among competitors neither present significant threats nor advantages.

3.2.3 Consumer Trends and Forecasts

Furthermore, the following will analyze a crucial part of the market industry analysis: the establishment of consumer trends in the market and forecasts for the future. Future estimations for the global bakery products market indicate a **promising future**. Changing lifestyles and **trends** towards healthier diets support an increasing movement towards so-called “Free-from” products, especially gluten-free products showing rising demand (Mordorintelligence (c) 2021). Furthermore, the **demand** for sugar-free, fat-free, salt-free, or whole wheat products is gaining momentum in the global bakery market due to consumers’ increasing awareness of product ingredients (Ibid.). Therefore, changing expectations and needs are mostly related to a change in consumer buying behaviour to maintain a healthier diet (Mordorintelligence (b) 2021). Looking at further consumer trends, a recent study by DSM in January 2020 interviewed 5,000 people in 10 countries (Staff 2021). It established that almost 75% of participants argued that the freshness of a product is a crucial factor in the buying process (Ibid.). Among many trends for the future of bakery goods, the following are the most vital to look out for (Barry Callebaut 2021). Bakery goods are no longer only something to eat to satisfy hunger; consumers want it to be an **extraordinary experience** (Ibid.). Moreover, the trend for experience is closely related to the demand for products that look pleasing to the eye of the customer (Ibid.). Furthermore, a study by Mintel suggests that almost 60% of European consumers argue that they are more likely to indulge in something special when socializing or for a **special occasion** (Ibid.). Therefore, the need for the product to be something special, whether it is a seasonal flavour or an occasional packaging, is increasing. Another trend is the desire for **sustainable** and **environmentally friendly** products (Ibid.). Sustainability in the environment of bakery goods includes trends such as plant-based, organic, natural, and sustainably sourced materials in the products, as well as along the value chain and packaging surrounding the product (Ibid.). The discussed consumer trends have a notable impact on forecasts for the industry.

The European bakery market was the largest worldwide in 2020, with 137.05B\$ (Fortune Business Insights 2022). The global bakery goods market is believed to increase at a **CAGR** of 5.12% from 2021 until 2028 (Ibid.). However, other market research and projections only estimate a five-year CAGR of 2.6% between 2021 and 2026 (Mordorintelligence (b) 2021). Regardless, both CAGR indicate a growing industry. The majority share is owed to the bread segments, as it is popular among all age groups reflecting the most significant **market potential** (Fortune Business Insights 2022). However, the most considerable growth and the highest CAGR are argued to be within the segment of biscuits and cookies (Ibid.). Another market research from the USA suggests that the total global market is expected to grow from 22.3B\$ in 2021 to 29.5B\$ by 2026, accumulating a CAGR of 5.8% (Staff 2021). Low bakery **market concentration** encourages smaller speciality manufacturers to enter the market and introduce gluten-free or low-calorie products. Therefore, the market outlook is positive for Company B. Moreover, consumer trends offer possibilities that B should consider for future strategies.

3.2.4 Competitive Landscape

As Company B produces baked goods, either sold frozen or freshly baked, the market considered is the **baked goods industry**. The industry was estimated in 2021 at 1.26B\$ (Passport Euromonitor International (f) 2021) and is projected to reach 1.56B\$ in 2026 (Ibid.). Overall, the industry is fragmented, with the first ten companies controlling, in 2021, 21.6% of the market share and a Herfindahl-Hirschman Index (HHI) of 69.8 (Appendix 3). Most companies operating are artisanal, accounting for 67.1% (Ibid.). This paragraph aims to consider B's competitors that have at least one similar product to B's offering.

B finds itself facing multiple **established competitors** (Figure 11), some of which are retailers offering, to the final consumers, private labels other than branded products. Such as Continente, Pingo Doce, Auchan, and Prozisare which are present across Portugal. Furthermore, they also provide multiple similar products, making them competitors, especially within frozen goods.

to operate successfully. Furthermore, **quality controls** should go beyond regulation, ensuring a constantly enjoyable product for consumers. The ability to **deliver** large quantities of products on time without substantial supply chain issues is another critical success element, given recent supply chain disruptions caused by the war in Ukraine and the coronavirus. Current availability problems and price explosions, especially for main ingredients such as flour and sunflower oil, reaffirm the importance of a functioning and diversified supply. A company's **reliability** can be a competitive advantage in exogenous supply shocks. In addition, contacts and networks are crucial to a successful sales strategy. In the industry, customers often rely on a supplier they know on a personal level. **Word-of-mouth** marketing can be seen as the primary source of acquiring new customers. Thus, a strong **network** and maintaining a positive and reliable image are distinctive aspects of the company's success. Moreover, food manufacturing companies must focus on their **productivity**, as the business is known to rely on high volumes and low margins (Answer Company n.d.). Advanced robots and machines can help increase productivity and quality (Martin 2019). Software such as Enterprise Resource Planning and other technological advancements e.g., tracking inventory and demand forecasting, can further enhance productivity (Answer Company n.d.). Continuous investment is thus a critical success factor in the industry.

3.2.6 Country-Specific Advantage – The Porter's Diamond Framework

The Porter Diamond Theory of National Advantage is a framework that provides insight into the country's competitive advantage, companies succeed if their home environment is the most future-oriented, dynamic, and challenging (Porter (d) 1990). This framework will analyze what advantages Company B has from operating in Portugal.

Demand conditions - The baked goods industry revenue in 2021 in Portugal was 1,258M€ (Passport Euromonitor International (m) 2021). Moreover, retail sales are predicted to increase at a **CAGR** of 4% (2021 constant value CAGR of 3%) over the projected period to 1.6B€

(Ibid.). Moreover, the presence of **Brazilian communities** is a valuable indicator of demand conditions since most B products are traditional Brazilian savoury goods. The Brazilian community has been growing through the years in Portugal. From 2016 to 2021, it has increased by more than 151%, resulting in the largest Brazilian community in Europe with 276,200 people (Ministério das Relações Exteriores 2020). In 2021, Brazilian nationality remained the leading resident community, representing 29.3% of the total foreign residents (Estrela, et al. 2021). Starting decades ago, Portugal and Brazil have had strong ties (Ramos n.d.). From 1995 to 2020, the trade of Brazil to Portugal increased at an annual rate of 4.71% (OECD 2022), and in 2021, it reached a record of 2.63B\$, with the second highest category of exports being oil seed, grain, seed and fruits (244.74M\$) (Trading Economics (c) 2022). Therefore, it is possible to state that the strong connection between Portugal and Brazil is also present in the cuisine, where a “transatlantic culture” of food was created because the two sides promoted the exchange of food customs (Lusiada 2020). Regarding food trends, Portuguese people want clarity, transparency, and flexibility; as a result, investing in traceability and accurate data will be fundamental to this industry (Foods 2022). Moreover, 58.2% of Portuguese people, starting with the pandemic and the following lockdowns, changed their food **habits** for the better, becoming more conscious regarding healthiness and well-being (Lusa 2021). There is also a general increase in the demand for organic and biological products (Consumo 2022). Although B does not answer to these **trends**, Portuguese consumers associate the price of products with quality, values, and ethical principles. For these consumers, the pricing strategy must be aligned with the companies’ commitments (Agroportal 2022), something B complies with.

Factor Conditions - Portugal offers an economy that generates innovation and competition. PortugalFoods, an association created by companies and entities from the scientific and technological system that aims to strengthen the competitiveness of companies in the agri-food sector (PortugalFoods 2022), developed two projects, cLabel+ and MOBFOOD (Pinto 2022),

that aim to increase companies' technological index and promote production and enhancement of **innovation-oriented** knowledge (PortugalFoods 2021). Moreover, EntoGreen, a company that aims to contribute to sustainable food development, is also an example of Portugal's competitive market. The company opened its Research and Development Unit in Portugal, aiming to explore the use of insects as a tool in the bioconversion of raw materials (Campo 2022), pushing Portugal to the forefront of innovation. Additionally, Portugal is an example of **sustainability**, having the fifth most significant share of renewable energy in the EU, with 34% of gross final energy expenditure being renewable (Eurostat (h) 2022). Portugal is also the sixth **safest country** in the world (Review 2022). Furthermore, it presents an excellent geographic location, eight hours away from New York, Montreal or Toronto, and the longest to reach any European capital is four hours (Team 2021). Furthermore, Portugal is in the top 25 countries regarding the quality of **infrastructure** (Statista (ae) 2022), providing high-quality roads, efficient train services and airport connectivity, among others.

Firm Strategy, Structure and Rivalry - Contrary to the Porter Five Forces framework, rivalry is valuable because it increases national competitiveness, forcing companies to improve quality and lower their prices, transforming their business as efficiently as possible (Porter (d) 1990). Concerning **firm structure**, in 2020 in Portugal, the food industry was mainly constituted by micro companies (72.01%), followed by small companies (22.13%), medium companies (5.96%) and large companies (0.9%). However, the segment that generated the most revenue was the large companies, 42.46% of the total, while the one that offered more jobs was the medium companies, 32.4% of the total (BTstat 2021). These indicators prove that medium and large companies in the food industry can be consider more successful. Moreover, regarding the different sectors in the food industry, the meat products sector generated the most revenue (22.24% of the total food industry revenue), as the bakery and pastry sector only generated 11.28% of the total. However, this last sector created more than one-third of the jobs in the food

industry (37.21%) (BTstat 2021). Regarding **rivalry**, in 2020 in Portugal, there were 5,902 companies in the food industry. More than half of these companies (56.78%) were in the bakery and pastry sector, accounting for 3,351 companies. Although a substantial number of companies are generating competitiveness, recently the number of companies' growth has decreased, reaching 0% in 2018 (BTstat 2021). Regarding **strategy**, Portuguese food companies have adapted to the market trends and followed technological evolution. Industry 4.0 brought advantages by facilitating companies' response to the growing market demand and requirements of each consumer. Industry 4.0 offers more food safety, quality certification, and supply chain management using IT and robotic processes and real-time data (Clara 2021), increasing standards and strengthening rivalry between food companies.

Related Supporting Industries - Due to the quick communication, the swift and continuous flow of information, and the constant trade of ideas and developments, home-based providers that are competitive internationally create benefits (Porter (d) 1990). B's **suppliers** are mainly from Portugal, which benefits communication, within the agriculture and plastic industries, relating to the confection and packaging of the products. Concerning the agriculture industry, the Recovery and Resilience Plan, a national program that aims to lead the country to sustained economic growth, invested 93M€ in the agricultural sector to support innovation projects (R. Portugal 2021). Furthermore, the Portuguese government recognized the importance of the food industry, and through COMPETE2020, a Portuguese government organization that focuses on competitiveness and internationalisation (Compete 2020), invested 112M€ in this industry (Acensão 2016). In 2020, there were 39,304 companies related to agriculture, of which 85.59% were micro-companies (B. d. Portugal 2021). Moreover, in 2021, the wholesale agricultural raw materials and live animals industry's revenue in Portugal was 2,654.57M\$, projected to be 2,930.87M\$ by 2025 (Statista (ag) 2021).

Regarding the **manufacture** of plastic packing goods industry, in 2021, the industry revenue

was 889.71M\$, and it is estimated that in 2025 will have an increase of 23%. By 2022, this industry is estimated to exceed the revenue from the period pre-Covid 19 (Statista (z) 2021).

In conclusion, Portugal is a nation that generates competitiveness between companies in the bakery and farinaceous products industry.

On one side, influenced by the Ukraine war, EU has been struggling with inflation and with Russia`s dependency. As a result, the **European Central Bank** is rising interest rates, and Portugal, poorer than other EU countries (Eurostat (f) 2022), can suffer the most. On the other side, Portugal is one of the countries that depend less on Russia`s fossil fuels, which are 5.3% of the energy supply (Statista (ac) 2022), which might give an advantage in the years to come.

3.3 Firm-Specific Advantage

3.3.1 Resources and Competences – Porter`s Value Chain Framework

A company can influence both industry desirability and competitive position, which makes the selection of competitive strategy challenging and thrilling (Porter (b) 1985). Therefore, awareness regarding resources and competences that differentiate Company B is essential to enter international markets efficiently and profitably. Consequently, Porter`s Value Chain framework will be used (Figure 12) to assess how the **secondary activities** support and improve the primary activities.

Regarding **inbound logistics**, Company B has an extraordinary general management team.

First, they guarantee **high-quality and fresh ingredients**. For example, the products are only made with fresh cheese and chicken

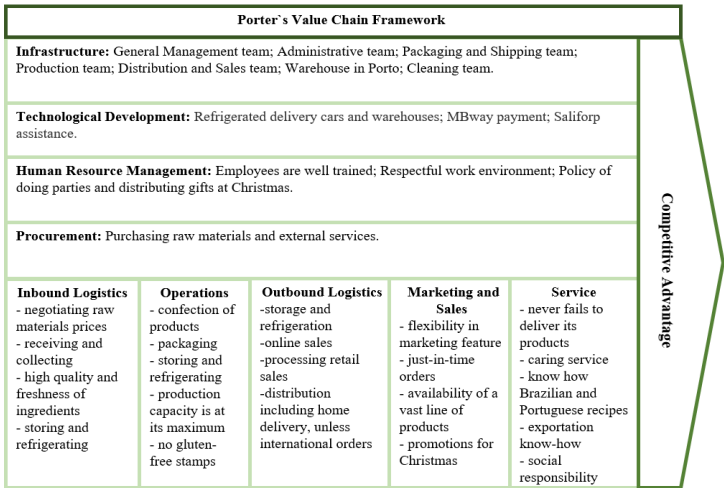


Figure 12 - Porter`s Value Chain Framework

breast, while competitors use powdered cheese and all the chicken parts (M (a) 2022), even

though there is an evident increase in the cost of production. Second, every week, the team studies the market and negotiates prices to guarantee low-cost production and, respectively, the best price-quality ratio to its consumers, **not being exclusive to its suppliers**. Regarding **operations**, the administrative services team ensures that the manufactured goods are confectioned and packaged in the safest and most reliable way, as the company has every **license** to offer a trustworthy product. Nevertheless, the production team **struggles to answer its demand**. The production capacity is at its maximum, with the staff already doing night shifts, the warehouse with no additional space, and the machines running at full capacity. Additionally, B could have gluten-free stamps on some products if they were confectioned in dedicated areas, however, B does not have the means yet. Nevertheless, for **marketing and sales**, the packaging and shipping team offers significant **flexibility** in the packaging size and the presence or not of B's logo on the package. Furthermore, B stopped outsourcing logistics services and has its distribution team to guarantee the best possible customer experience, which they could not do with outsourcing, something they tried in the past (M (a) 2022). Finally, concerning service, B presents a remarkable and outstanding **customer service**. The company offers **just-in-time manufacturing and deliveries**. Even when raw materials are scarce, B never fails to deliver orders, unlike its competitors (M (a) 2022). Moreover, B produces many items even when it is not lucrative, as it assists coffee shops and Brazilian communities (M (a) 2022). Also, B has **the know-how** regarding Brazilian recipes and the quality and exportation of food products across Europe. Most importantly, B's founders are extraordinary people. B's values are built on sharing the Brazilian flavour worldwide and on **social responsibility**, with their latest work being build up a school in [REDACTED] (Appendix 4).

3.3.2 Firm Competitive Advantages – VRIO Framework

The following paragraph will analyze how Company B achieves a **sustainable competitive advantage** over other manufacturers in the same market, by identifying their firm-specific

resources to create a long-lasting competitive advantage. To establish the sources of these attributes, the framework developed by Barney, J.B. in 1991 and updated in 2001 will be used (Barney, Wright and Ketchup 2001). The **VRIO analysis**, according to Barney, evolves around four questions regarding a company's resources to establish the firm's competitiveness. These are the value, rarity, cost to imitate and the firm's ability to structure the organization accordingly to take advantage of the resources (Ibid.). The aim of the framework is for B to detect and further protect its resources and capabilities to be able to capture long-lasting competitive advantage (Ibid.). The framework below will assess the previously established resources: customer service, product procurement, know-how and experience, social responsibility, and supply chain management according to the VRIO framework.

The **VRIO framework** (Figure 13) suggests that **customer service** is Company B's most significant and sustainable competitive advantage. However, other capabilities such as know-how and product quality offer a temporary competitive advantage which could become a long-term competitive advantage if the capability proceeds to be unique in the industry and the organization extracts the resources potential fully.

VRIO Framework						
Capabilities	Resources	Valuable	Rare	Imperfectly Imitable	Organized	Impact of Competitive Advantage
Customer Service	100% Adaptability to Customers' Needs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			Realized Temporary Competitive Advantage
	Direct and Personal Customer Contact	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Realized Sustainable Advantage
Product Procurement	High Quality and Fresh Ingredients	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			Realized Temporary Competitive Advantage
	Production Capacity					Competitive Disadvantage
	Licences and Certificates	<input checked="" type="checkbox"/>				Competitive Parity
Know-how and Experience	Small-scale Exporting and Intellectual Property	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			Realized Temporary Competitive Advantage
Social Responsibility	Social Commitment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Unused Competitive Advantage
Supply Chain Management	Supplier Assessment	<input checked="" type="checkbox"/>				Competitive Parity

Figure 13 - VRIO Framework

Moreover, on the one hand, B hold licenses and requirements that are required by law, such as the HACCP, to ensure health and safety measures, but on the other hand, they also own certificates such as the "PME líder 2021" that are voluntary. These additional licenses keep B

at least at length with the competition ensuring competitive parity. Furthermore, the product capacity indicates a competitive disadvantage which B should address soon to guarantee a successful competitive differentiation. Additionally, the capability of social responsibility in times of growing awareness of customers is a resource that exposes an unused competitive advantage due to the lack of its capitalization by B.

3.4 Diagnosis for Internationalisation

3.4.1 SWOT Matrix

A SWOT analysis was conducted to understand Company B and its environment further.

The SWOT Analysis is one of the most relevant frameworks for **strategic analysis** and assessing the **current state** of a company compared to its competitors (Mirzakhani 2014). The framework, most commonly credited to Albert Humphrey, helps evaluate strengths and weaknesses as well as opportunities and threats of companies, thus involving both company-specific and external factors in the analysis (Teoli D 2021).

Strengths – B offers a variety of exceptional products; one of its key strengths and differentiator is their **quality**. The industry standard for baking *Pão de Queijo* using cheese powder as an ingredient, while B uses more expensive fresh cheese (e.g., the brand “Yoki” only offers powdered cheese for their mixes (Yoki 2022). Consequentially the taste of the product, one of the most crucial aspects for food processing companies, is exceptional, making it a key strength for B. Another strength is B’s **reliability** and **customer service**. When other suppliers were not able to deliver due to supply chain restrictions, B found a way to make it happen and delivered on time. Furthermore, B truly creates **shared value**, has exceptional values and is a leader in Corporate Social Responsibility (henceforth CSR). For example, they serve Brazilian European communities bringing some of Brazilians’ favourite dishes. Moreover, B is engaged in projects in Africa to help people in need and establish opportunities for less privileged people. These factors can significantly impact B’s image and be a criterion for why customers choose

B over, e.g., a corporation with a less compelling history and CSR record.

Weaknesses - One key constraint for B is its limited options for expansion. Their current production facility and warehouse are at maximum capacity, restricting expansion plans. Finding a larger factory has not succeeded thus far, and **financial restrictions** limit potential options. The financial possibilities were significantly weakened during the Covid- 19 pandemic. The net loss for 2020 reached approximately -500k€, burning cash reserves initially allocated for the expansion, leaving the company with only the option of expanding through loans. Thus, B cannot meet all its potential demand, allowing other competitors to enter the market. Further **production capabilities** must be added to guarantee a successful internationalisation process. Another weakness of B is its low margins. In 2021 a profit margin of just 3% was realized, showing substantial room for improvement. Companies in the food processing industry showed a slightly higher profit margin of about 8% on average (Damodaran (a) 2022). Moreover, besides the loss in 2020, a negative result was also realized in 2017, showing substantial issues in **profitability** even prior to the Corona pandemic. Another weakness is its lack of brand recognition. Due to a lack of investment in **marketing**, the brand is not widely known, and only people familiar with it or that heard of it through word of mouth know the brand behind the *Pão de Queijo*. Supermarkets even ordered *Pão de Queijo* to use as their house brand without B's branding. This can lead to tougher negotiation processes with supermarkets as there is less differentiation from other brands without substantial brand equity.

Opportunities - A key opportunity is to expand the **production capacity** and warehouses to cater the significant demand in Portugal and facilitate international expansion. A second or larger production facility close to the original would help to meet the demand they cannot cater yet. This could help with a fast internationalisation process. Moreover, expanding to countries with an already existing **Brazilian community** could enhance their sales potential. Another opportunity for B is to streamline its product portfolio and focus on the high-margin products,

namely the *Pão de Queijo*, as it offers the best margins. Unprofitable products must be cut to improve the financial situation, even if clients demand them. Instead, the focus should lie on the supermarkets in and outside Portugal where a large quantity can be sold profitably at once, instead of many less profitable cafes. Thus, strengthening the supermarket business segment has much potential and reflects ample opportunity. Another considerable opportunity could be addressing the gluten-free market by adjusting the factory layout and obtaining the license for using a **gluten-free** certificate. This offers the opportunity to enter another vast market previously not addressed. The global gluten-free product market was valued at 5.9B\$ in 2021 and is expected to grow at a CAGR of 10% from 2022-2030 (Grandviewresearch 2022).

Threats - Key threats for B are **supply chain shortages** and the recent substantial fluctuations in **commodity prices**, which significantly impacted B's profitability. With the start of the war in Ukraine, prices for commodities increased considerably (Rennison 2022). Ukraine is a significant producer and exporter of vegetable oils, corn, and wheat, thus impacting these commodities the most (U.S Department of Agriculture 2022). With sunflower oil and wheat being two of the main ingredients for B's products, this can have a tremendous impact. Spot prices for sunflower oil, e.g., have risen from around 750\$ per ton in December 2019 to over 2,250\$ per ton in March after the start of the war and are currently trading at around 1,250\$ per ton, still significantly higher than in 2019 (Tradingeconomics (b) 2022). These **fluctuations** and a worsening war with Ukraine could threaten B and its profitability. In addition, supply chain shocks can further limit the supply of certain commodities, causing delivery interruptions and delays that can damage a company's reputation. Therefore, to address potential concerns, it is essential to maintain communication with as many suppliers as possible and diversify the supply chain.

3.4.2 FSA-CSA Matrix and Porters Generic

Firm-specific advantages (short FCAs) are the company's advantages that sustain a competitive advantage. Moreover, the company can also profit from country-specific advantages (henceforth CSAs) offered by the country (Rugman and Collinson 2012). Once these have been identified, a framework, the FSA-CSA matrix, can be used to understand better which generic competitive strategy the company would be better off pursuing (Ibid.). To develop an FSA-CSA matrix, FSA and CSA must first be assessed. Porter (1985) identifies four strategies a company can follow to achieve and preserve a competitive advantage (Appendix 5).

FSAs - The company has well-established operations that allow manufacturing products of different sizes using the same machine, reducing the turnaround (M (a) 2022). To maximize output, rotation of the production and night shifts are also used (Ibid.). Despite the efficiencies, B's capability to further expand production is hindered by physical space and financial constraints. Many of B's clients are small HORECA, where variety and personalization are relevant. As a result, B always tries to accommodate the customers' needs, packaging the products in different formats based on individual needs. This improves customer relations but limits potential additional output. Despite the **personalization** in the production, B can provide timely deliveries, which makes them a reliable partner. Furthermore, the company not only complies with Portuguese laws, respecting all the requirements, but also offers additional **certifications** such as the "*Menos pegada, mais futuro*", proving the reduced carbon footprint of the company.

CSAs - As previously seen, Portugal presents the most significant presence of **Brazilian immigrants** in Europe, with 276,200 immigrants (Ministério das Relações Exteriores 2020). When the company was first established 20 years ago, the Brazilian community was already present with around 24.864 people (SEFstat 2002). More than half of these lived in Lisbon (SEFstat 2002), where the company is located. This allowed B to have fundamental first

contacts, leading to the first customers.

Portugal offers another advantage compared to other European countries, becoming most relevant in the current geopolitical environment: almost a third of the **energy production** in the country is obtained through **renewable sources** (Eurostat (h) 2022). This might be one of the reasons the country’s Megawatt-hour (henceforth MWh) wholesale cost of electricity is among the lowest (Figure 14) (Ewen 2022). As a result, when considering the final consumer cost of

electricity, in 2021, Portugal stood slightly

Cost of Wholesale Energy for Selected Countries (TOP 5)					
Country	Spain	Portugal	Poland	Sweden	Finland
August Average Price (€/MWh)	140.92	141.1	175.5	190.08	215.46

Figure 14 - Cost of Wholesale Energy for Selected Countries (TOP 5) Source: Ember

below the EU average of 0.2369€ per kWh at 0.217€ per kWh (Eurostat (d) 2022).

Furthermore, according to Eurostat (2022), Portugal has a **cost of labour** lower than the European average, aided by a lower-than-average cost of living (Eurostat (c) 2022). For companies aiming to export abroad, this constitutes an advantage as the product can be sold at higher prices than within the country, and the lower wages allow for higher margins. Following the previous paragraphs and the VRIO framework, B’s FSAs have been set to **medium-low** as the advantages are not patent-protected, and competitors could replicate them over time. The company’s most valuable asset is its reputation with its customers, which it has earned through high-quality final products, personalized offerings, and dependable deliveries. Nonetheless, the reputational factor is strictly limited to a geographical area and time is required to export it elsewhere, mainly when the company relies on Word of Mouth (henceforth WoM) or direct

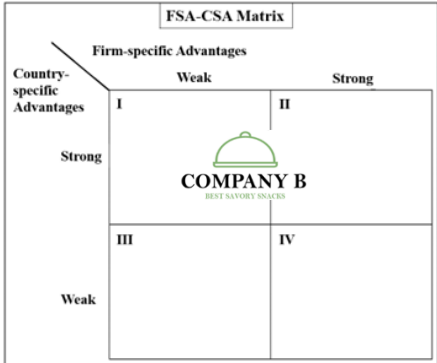


Figure 15 - FSA-CSA Matrix

contacts to reach new customers. The CSAs have been set to **medium-high** as the primary consumer the company targets is the average Brazilian or Portuguese who knows the products, which is mainly present in Portugal. Moreover, the country can offer companies resources at a lower cost. As a result, Company B has been positioned in

the 1st quadrant of the FSA-CSA matrix (Figure 15), where cost leadership strategies should prevail. However, as noted by Porter (1985), the company should try to move towards the 3rd quadrant by increasing the FSAs, allowing it to follow any generic strategy (Rugman and Collinson 2012). Despite the suggestion to pursue a Cost Leadership strategy, as the clustering in paragraph 3.1.4.2 showed, B presents only slightly higher EBITDA margins than peers. As a result, B's strategy resembles the Broad Differentiation (Appendix 5). It is broad as the company does not target a specific segment but anyone that likes baked goods. Furthermore, while the products are also sold in Brazilian convenience stores, the company aims mainly to expand through supermarkets. As noted, the company differentiates itself from the competition by producing above-average products, using high-quality ingredients, and ensuring reliability.

3.4.3 Motives for Internationalisation

After analyzing the company and the industry where it acts, it is essential to understand the motives behind Company B's internationalisation intentions. Incentives for internationalisation can be categorized into push and pull factors.

Push factors are conditions of the home country which encourage the company to expand into other foreign markets. In Portugal, a push factor is the presence of many **competitors offering the same products** based on traditional bakeries from Portugal and Brazil, as shown in the company comparison analysis (section 3.4.2). Compared to other markets, as analysed in the following country in-depth analysis Portugal has more competitors producing the same specific products as B. This raises an incentive to internationalize to markets where the company products are unique.

Pull factors are opportunities in other countries that attract B across borders. According to QM, the company's primary goal towards internationalisation is to **distribute to larger customers**, namely super and hypermarket chains. Other countries represent new opportunities for reaching those distribution chains. By serving these clients, the company would focus its operations on

larger bulk orders, which would come with multiple benefits for the business. Transitioning from a customer base composed primarily of small HORECA firms to one composed primarily of large customers would, according to B's experience, result in more efficient communications and engagement with buyers as larger organizations are more organized, which results in improved logistics and easier order preparation when compared to the orders from smaller buyers. In terms of logistics and transportation, which, in Portugal, is an in-house process involving four drivers, this transition would simplify the delivery process and promote a decrease in costs per unit by lowering the number of small deliveries and raising focus on bulk orders' distribution. Focusing on fewer but larger clients could also contribute to an adaptation of the product portfolio, slimming down the number of products offered and refocusing on the most profitable and time-efficient ones. Finally, selling to different countries might lead to higher profit margins, as Portugal's price levels of consumer goods are lower than the European average (Eurostat (j) 2021), creating an opportunity to pursue higher profit margins.

3.4.4 Global Readiness

Expanding into another geographical region is often considered when companies want to grow their business further (Forbes Councils Member 2022). However, regardless of the expansion strategy, other factors are involved with the extension to another country. Not only legal and regulatory requirements will differ, but also cultural differences are challenges that will require adaptation and preparation. Therefore, before further steps are taken in planning a potential expansion strategy for B, it needs to be assessed whether the organization is ready to internationalize its service and organization. In order to measure the global readiness of B, the following will challenge the readiness in three different categories to establish an overall result. The categories to challenge are organizational structure, financial positioning, and management abilities. Beginning with the **organizational structure**, B being a family-led business, is very much not highly structured in the sense of clearly defined departments and personnel dedicated

to one specific task within the Value Chain. B separated its employees into two main departments: production and sales. Furthermore, other tasks such as marketing activities are not existing as well as financial services which are outsourced to external accountants. Overall, the organizational structure seems to achieve readiness in an **intermediate timeframe**. Continuing with a more objective evaluation of the organization, the **financial positioning** will be established. Further to the financial overview (4.1.5), in the beginning, B seems to have a stable D/E ratio of 1.52 as well as a relatively low cash and cash equivalents position of 386k€ in the Balance Sheet due to financial drawing periods throughout the Covid- 19 pandemic, indicating that an internationalisation project could be approached in the **medium term**. More importantly, the facilitation of financial resources will depend significantly upon finding a suitable entry strategy that aligns with B's financial availabilities. Lastly are considered the **managements abilities** for transforming B into a global business. In previous years B was able to establish some small-scale exporting experiences through Brazilian specialized corner shops in countries such as the Netherlands, which were successful. However, it should be highlighted that these projects came about from the customers reaching out to B. It can be argued that B's management has some important experience supporting an immediate **readiness** for internationalisation.

In conclusion, the analysis of the different categories suggests that B needs improvements in its organizational structure, and more financial resources are required to ensure the company's successful growth. Moreover, the production capacities reaching their limits is a necessary aspect that must be addressed in the short term to guarantee enough availability for international and national clients. Therefore, **subject to the established measures**, the company will be considered **ready** for internationalisation to analyse the international market selection further.

4. International Market Selection – Phase One

4.1 International Market Selection Literature Review

The following paragraphs will dive into a thorough literature review of the different methods to approach International Market Selection; nevertheless, to establish the best target country for Company B, the approach proposed by Cavusgil, Kiyak, and Yeniyurt (2004), in which **country clustering** and **country ranking** are used conjunctively, has been followed.

4.1.1 International Market Selection

According to Melin (1992, 101), internationalisation can be defined as “a major dimension of the ongoing strategy process of most business firms.” It has the objective to address two separate but strictly interconnected (Koch 2001) aspects: 1) in which countries the company should decide to expand, also known as International Market Selection (IMS), and 2) the foreign entry market strategy (Andersen and Buvik 2002).

As some studies noted (e.g. He and Wei 2011; Papadopoulos and Martín Martín 2011), IMS has a significant effect on the firm’s performance, attracting the attention of many researchers (Ibid.), and resulting in various streams of research (Papadopoulos and Martín Martín 2011). Nevertheless, most studies focused mainly on 1) IMSselection (IMSel) and 2) IMSsegmentation (IMSeg) (Ibid.). IMSel differs from IMSeg as each market corresponds exactly to a nation, while in IMSeg, markets are constituted of cross-national segments where customers share similar characteristics (Gaston-Breton and Martín Martín 2011). Moreover, as noted by Papadopoulos and Denis (1988, 47), “buyer segments do not always follow national boundaries...” suggesting that IMSeg would provide more insightful information on customers (Gaston-Breton and Martín Martín 2011), becoming relevant also for the success of marketing strategies (Hofstede, Steenkamp and Wedel 1999). However, researches and applications based on IMSeg are limited (Gaston-Breton and Martín Martín 2011), mainly due to the inadequate availability of cross-national data, particularly about less developed countries (e.g. Papadopoulos and Martín Martín

2011; Papadopoulos and Denis 1988).

Multiple studies have been aiming to develop methods to approach IMS (e.g. Gaston-Breton and Martín Martín 2011; Kumar, Stam and Joachimsthaler 1994; Cavusgil, Kiyak and Yeniuyurt 2004); nevertheless, no method can be generalized as companies vary among them (Kumar, Stam and Joachimsthaler 1994). An exception is the tradeoff model proposed by Papadopoulos, Chen and Thomas (2002) based on the shift-share model initially proposed by Green and Allaway (1985), which could be easily expanded to multiple products of multiple industries.

Built around the work of Papadopoulos and Denis (1988), Anderson and Buvik (2002) noted how, traditionally, methods can be grouped under two categories, 1) systematic approaches and 2) non-systematic approaches to IMS. A third approach has also been proposed: 3) relationship approach (Ibid.). Compared to the traditional approaches, it focuses on identifying an exchange partner rather than a country, as international expansion might be initiated following unsolicited orders from the customers (Ibid.).

Systematic approaches rely on a structured and formalized decision-making process (Ibid.). Papadopoulos and Denis (1988) classified the developed methods into two categories: 1) Market Grouping Methods, which use similarities to cluster countries, and 2) Market Estimation Methods, which instead use different indicators to rank countries (Ibid.). Despite not having a broad consensus about which model to use (Papadopoulos, Chen and Thomas 2002), there is a general acceptance of how the Country Screening should be the first phase for each (e.g. Cavusgil 1985; Gaston-Breton and Martín Martín 2011), in which macro-economic data are used to evaluate and exclude nations that do not meet the firm's requirements (Gaston-Breton and Martín Martín 2011). Additionally, two other stages can be identified in most methods (Koch 2001): 1) the Identification stage, where industry-related data are used to further screen countries, and 2) the Selection stage, for which, using firm-specific information, estimations about the demand are made, and the market is decided (Kumar, Stam and Joachimsthaler 1994).

Some academics focused their studies on developing methods that produced more insightful information for the managers. In this direction goes the study of Cavusgil, Kiyak, and Yeniyurt (2004). They suggested using conjunctively Market Grouping (country clustering) and Market Estimation (country ranking) techniques to overcome the limitations of the two techniques when taken individually. Gaston-Breton and Martín Martín (2011) criticized the systematic methods pointing out how these approaches are based mainly on country-related data, missing completely consumer-related information. They overcame the lack by proposing a two-stage screening method in which: 1) using macro country-level data, clusters were delineated, *de facto* agreeing with previous studies (e.g. Cavusgil, Kiyak and Yeniyurt 2004); and 2), based on the value system developed by Inglehart (2007), consumer values, which are indicators of the behaviours (Vinson, Scott and Lamont 1977) were used to identify clusters based on the customers rather than on the countries. Nevertheless, the proposed method presents a severe limitation: it applies only to the EU (Gaston-Breton and Martín Martín 2011).

Non-systematic approaches do not rely on structured processes but are built upon “rules of thumbs” (Andersen and Buvik 2002). For example, people within the company decide which countries to consider for further analysis and which not, often basing their choice on personal judgment (Papadopoulos and Denis 1988). As a result, the process outcome might result in biased decisions (Kumar, Stam and Joachimsthaler 1994). One such “rule of thumbs” that attracted interest over the years (e.g. Andersen and Buvik 2002; Johanson and Vahlne 1990) affirms how companies expand in markets of incremental psychic distance (Johanson and Vahlne 1990). Nevertheless, its relevance is not universal (Brewer 2001). Psychic distance comprehends factors, such as language and cultural differences, that disrupt the exchange of information, increasing the uncertainty (O'Farrell and Wood 1994) between the business and the market where they operate (Johanson and Vahlne 1977).

Despite studies highlighting the performance advantages offered by performing systematic IMS

(e.g. Malhotra and Papadopoulos 2007; Nakos and Brouthers 2005), different studies noted that many companies use non-systematic approaches instead (e.g. Cavusgil 1985; Papadopoulos and Martín Martín 2011), might be for limitations in the capacity to process information (e.g. Andersen and Buvik 2002; Papadopoulos and Martín Martín 2011), or because the company is expanding following an opportunistic behaviour (Andersen and Buvik 2002).

The presented literature review highlights a highly fragmented scenario in which no method appears as the all-in-one solution, requiring further analysis.

4.2 Country Selection Criteria

To perform the cluster analysis, the countries to be further evaluated must be first selected. Since different data sets suggest a different set of countries, it was decided to follow the convention of considering only countries that are part of the United Nations (Nations n.d.), being precisely **193 countries** (Appendix 6). Although Company B is already exporting to some of these countries, concretely to Spain, France, Italy, Belgium, Germany and Austria, its presence is limited. Therefore, these countries were also included in this analysis since further expansion is possible. To further evaluate each

country, **34 variables** were chosen and grouped into **11 categories** (Appendix 7). Starting from the complete list of countries, the rules illustrated in Figure 16 have been followed to reduce the countries to be considered. First, if a country had **more than five variables with a missing value, it was**

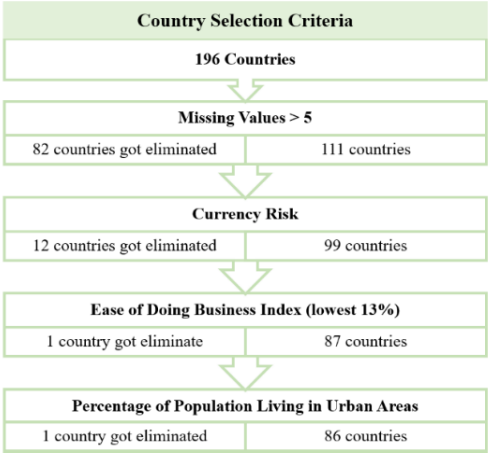


Figure 16 - Country Selection Criteria

eliminated. This way, the validity of the imputation was preserved, avoiding imputing data to too many variables of the same country. Following this rule, **82 countries were eliminated**, mainly smaller islands or African countries (Appendix 8). Second, countries with a **currency risk of seven** were eliminated (Appendix 9), excluding those countries whose currency is not

openly tradable in the market (Kumar, Stam and Joachimsthaler 1994). As a company, B aims to sell products easily in foreign markets. Third, the countries in the bottom 13% of the **Ease of Doing Business index** (Appendix 10) were eliminated, leaving **87 countries**. Finally, countries with less than **25% of the population living in an urban area were eliminated** as the company preferred expanding to supermarkets, located mainly in urbanized areas, leading to Nepal being eliminated (Appendix 11). Therefore, **86 countries** were considered for further evaluation (Appendix 12).

4.3 Country Clustering and Ranking

4.3.1 Country Clustering

After the selection of countries resulted in **86 countries**, it was necessary to conduct further analysis in order to be able to gain relevant knowledge for an informed decision on how these countries correlate.

Therefore, the following paragraph will demonstrate the steps taken during the **country clustering** process. The literature refers to cluster analysis as a tool to group objects, in this case, countries that share similarities according to a chosen set of characteristics (Chen 2020). The Country Clustering process was conducted with the help of the **IBM Software SPSS**. Following the screening of the countries, two additional variables were eliminated from the clustering as the number of missing values was above 10% (Appendix 13), namely Food Expenditure per Capita 5 years CAGR and Immigrants from Brazil total. In order to verify that the lost information would have been captured, at least partially, from other variables, the Pearson Correlation had also been computed (Figure 17). The **Pearson Correlation** test is

Correlation between Variables	
Food Expenditure	Immigrants from Brazil
0.741**	0.832**
GDP CAGR 5year	Total Food Imports US\$
Immigrants from Brazil	Immigrants from Brazil
0.954**	0.780**
GDP Total	Global Snack Market
**. Correlation is significant at the 0.01 level (2-tailed)	

named after the mathematician Karl Pearson, who invented it. It is used to measure the level of correlation present between two sets of data. The test result could lead to values [-1,1], where -1 is

Figure 17 – Correlation between Variables

perfectly negatively correlated, and +1 is perfectly positively correlated (Schober, Boer and Schwarte 2018). The test results led us to believe that eliminating the variables would not have led to any loss of information. As a result, only 32 variables will be considered for the country ranking. Of these variables, only a set will be used to perform the country clustering. The group opted to avoid using variables strongly correlated to avoid redundancy and potentially biasing the clustering. **Strongly correlated** is defined based on “rules of thumbs” (Ibid.); as a result, correlation equal to or below -0.75 and equal to or above 0.75 had been considered strongly correlated. To decide which of the variables to be included for the clustering, the Pearson Correlation test was conducted. Following the test results (Appendix 14), the clustering variables were chosen mainly among macroeconomic data (Figure 18). Before imputing any missing value, for two specific variables: 1) Imports of Goods and Services and 2) Corporate Tax, the missing values in the dataset were integrated with, respectively, 1) the year 2020 instead of the year 2021 and 2) an additional source that provided data

Country Clustering Variables	
Market Size	Population Total
	Urban Population
Market Growth Rates	GDP Annual Growth
Market Receptivity	Food Imports
	Ease of Doing Business
Commercial Infrastructure	Logistic Performance
	Corporate Tax
Country Risk	Business Environment Risk
Cultural Distance	Hofstede Portugal

Figure 18 – Country Clustering Variables

for the remaining countries; countries still presented missing values. Nevertheless, further data imputation was necessary. Before deciding on any **imputation**, verifying that the missing values are missing randomly without following any specific pattern is of the utmost importance. This is relevant as data missing following a **pattern** requires different imputation methods compared to when the missing variables are at random. To verify the **randomness** of the missing, the **MCAR test** was used. It had been developed by Little R. (1988) and assumed two test hypotheses: 1) H0: values missing at random; and 2) H1: values missing not at random.

To proceed with ease, H0 should not be refused. In this case, Little’s MCAR test computed by SPSS on the values of the 86 countries resulted in a **p-value** of **1** (Appendix 15), which results in the **impossibility of refusing H0** as the test is not statistically significant, leading us to sustain

the idea of the values missing completely at random. After the test, **SPSS** was again used to impute data on the dataset. Of 2,752 values, only 17 were missing, accounting for 0.62% of the total. In order to impute data, first, a random number generator was set up. Sequentially, the imputation method had been set to automatic as SPSS can pick up the most appropriate one based on the missing values (IBM 2021). As the belief is not having any pattern, SPSS used the **Markov chain Monte Carlo method** that uses linear regressions to impute the missing values (Ibid.). At the end of the procedure, the dataset was completed, and the clustering was performed. Concerning the definition of the clusters, the **k-means method** was used. It had been developed by MacQueen (1967, 281) and offered a way for “partitioning an N -dimensional population into k sets ...”. The method needs the researcher to specify the number of clusters in which to divide the N -dimensional population before the execution of the procedure. The k -sets are created by minimizing the variance within the set at the expense of the variance between (Ibid.). The k -means method has been used as it offers flexibility, allowing it to be easily adapted to different types of cluster shapes by changing the number of k (Developers Google 2022). To assess how many clusters to form, two being the minimum, a series of tries have been performed. This resulted in the final number of clusters being **seventeen** (Appendix 16), as it minimized the number of iterations (three) between the clusters while offering a solid F-test value (Appendix 16). Finally, it needs to be addressed that since the selected variables for the clustering were mainly from a macro perspective, the following phase of the Country ranking was adapted to reflect a balanced analysis of macro, product, and industry-related variables.

4.3.2 Country Ranking

The country ranking followed a comprehensive clustering analysis. In the latest process, variables were assigned various levels of importance to identify Company B’s most promising market. The most important indicators were **market receptivity**, **product related** and **standard of living**, respectively 16%, 14% and 14% of weight, which include variables such as “Ease of

Doing Business”, “Cheese Consumption per Capita” and “Access to Electricity”. It is vital for B that a country is prepared, has the necessary infrastructure, and is welcoming to savoury snack firm. Moreover, to **country risk** was attributed a weight of 11% (Appendix 17), guaranteeing that the countries with more relevance were the ones more stable and the ones that could provide a suitable environment for a company. Additionally, to **cultural distance** was attributed a weight of 9% (Appendix 17) as the country to expand to must be open to Brazilian and Portuguese cuisine. Furthermore, **market size and market growth rates** were evaluated with a weight of 8% and 6% (Appendix 17), respectively, which include factors such as “Urban Population”, being essential to guarantee sales opportunities close to supermarkets that are primarily located in urban areas, and GDP CAGR 5 year, that values the medium-term growth of a country. To **economic and political freedom** indicator was attributed 7% (Appendix 17) of weight to guarantee fit between the country and B’s values. Moreover, to **commercial infrastructure** was attributed a weight of 6% (Appendix 17). This indicator includes “Logistics Performance Index”, a relevant indicator that provides evidence regarding the infrastructure that B can have access to distribute its products. The segment of **market intensity**, which included “GDP per capita” and “Households and NPIHs Final Consumption Expenditure per capita” indicators, was weighted at 5%, since it provides insights about the economic growth. Lastly, **market stability** only involved “Inflation”. This indicator was given some importance, 4% of weight (Appendix 17), as it is crucial to have stable prices and costs. The specificity regarding the weight of each of the 32 variables can be further explored in Appendix 17. Concluding, this analysis allows a ranking of the 86 countries in terms of the best fit for B’s expansion. The **top five** countries were the US, Luxembourg, Norway, Germany, and Switzerland (Appendix 18).

4.4 Selection of Highest Potential Markets

Under the literature (e.g. Koch 2001), following a first country screening based on macroeconomic data, it is essential to identify the most promising countries on which to focus

the efforts and provide a more detailed analysis. For each cluster, the average score of the countries composing the cluster was calculated (Appendix 19) and used with the country's rank to decide which of these proceed with further analysis (Appendix 20). Before identifying the five most promising countries, an overall description of the first five clusters for the average score was performed. Namely, the clusters are Cluster 3, 5, 6, 10 and 11. For every cluster, the average of each variable was computed (Figure 19).

Clustering Variables Averages per Top 5 Clusters									
Cluster	Population Total	Urban Population (as % of Total)	GDP Annual Growth (%)	Ease of Doing Business	Food Imports as % of Merchandise	Logistics Performance Index: overall	Corporate Tax (%)	Business Environment Risk	Hofstede Portugal
3	73,272,440	84.0%	4.0%	83.1	10.0%	3.7	52.7%	3.0	3.3
5	5,028,230	64.0%	13.5%	79.6	10.8%	3.5	45.1%	3.0	3.7
6	34,990,566	90.3%	4.3%	75.9	11.3%	3.8	25.4%	4.3	2.2
10	22,630,124	86.1%	5.7%	81.7	8.2%	3.8	26.9%	2.9	3.1
11	22,876,689	65.6%	6.0%	76.4	10.5%	3.3	17.9%	5.0	0.7

Figure 19 - Clustering Variables Averages per Top 5 Clusters

Sequentially, the average of the cluster was **standardized** using the formula illustrated in

Equation 1: $x^* = \frac{x - \bar{x}}{\sigma}$ Equation 1, where x^* is the standardized value, \bar{x} is the average of the values for a given variable among all the clusters, and σ is the standard deviation of the variable.

Appendix 21 contains the plot of the standardized averages for each cluster. Most countries considered with the five clusters are among the most advanced economies. Only Cluster 11 presents many countries outside of this category. Nevertheless, all the presented clusters have positive annual GDP growth. Additionally, setting up operations for businesses within them is relatively easy as they all rank high in the "Ease of Doing Business" and present relatively moderate "Business Environment Risk".

Furthermore, the clusters are logistically similar, and the "Food Imports as % of Merchandise" imports are comparable. Descending more into detail, the single clusters will now be considered. **Cluster 3**, excluding Denmark, contains distant countries from Europe. It also shows the highest average population as the US is part of it. It is an interesting cluster as it also

presents the most favourable conditions for setting up businesses thanks to the "Ease of Doing Business" and the "Business environment Risk". Nevertheless, it also presents the highest "Corporate Tax". Most of the population is in urban areas and culturally presents many differences from Portugal, as shown by the "Hofstede Portugal" variable. **Cluster 5**, containing only Ireland, presents the highest "GDP Annual Growth" despite the smallest population and urbanized population. Additionally, the cluster presents the highest cultural distance from Portugal. **Cluster 6** comprises highly developed nations. It presents the highest level of urbanized population and overall score for the "Logistic Performance Index: Overall". Surprisingly it also scores the lowest in "Ease of Doing Business". **Cluster 10** presents similar characteristics to cluster 3, with a significantly lower population and almost half the "Corporate Tax". In conclusion, **Cluster 11**, composed of many countries mainly from continental Europe, is the cluster with the lowest "Corporate Tax" and is also the one with the closest similarity to Portugal. Portugal is within this cluster. Overall, this cluster presents the highest "Business Environment Risk". Also, following the brief but necessary cluster description, the top five countries have been identified. The United States were chosen as they rank first according to the used methods, and they are the country with the highest population of Brazilian immigrants, 1,775,000 in 2020 (Ministério das Relações Exteriores 2020), which will still be considered relevant for further analysis despite having been removed from the ranking itself. Norway and Germany were then chosen following the ranking, resulting, respectively, 3rd and 4th. Luxemburg, despite ranking 2nd was excluded following the relatively small dimension of the country. The last two countries had been picked explicitly following the company's preferences regarding closeness to the Latin American culture and geographical closeness. This is a common practice for smaller companies as they usually follow "Rules of Thumbs" such as **psychic distance** to decide the country (Andersen and Buvik 2002). These two countries are Spain and France, ranking respectively 23rd and 13th. For the aim of this project and the benefit

of B, the top 5 countries will be further discussed in an in-depth investigation. Furthermore, the analysis aims to highlight the countries' market potential and the possible challenges B needs to consider before an expansion.

5. International Market Selection – Phase Two

5.1 Countries in-depth analysis

5.1.1 France In-depth Market Analysis (removed as it is individual contribution of Maria Teresa Clara Coimbra)

5.1.2 US In-depth Market

US GDP in 2022 is 25,040T\$, the world's greatest (International Monetary Fund (a) 2022). Considering GDP Purchasing Power Parity (henceforth PPP), the first economy is China, already since 2016 (Hawksworth, Clarry and Audino 2017). The US is highly developed, with a Human Development Index of 0.921 in 2021, ranking 21st (United Nations Development Programme 2022). Additionally, the US presents the largest population of registered Brazilians, 1.775M people.

5.1.2.1 Contacts

In order to achieve a successful expansion strategy, potential contacts in the destination country must be identified. The approach resembles what Anderson and Buvik (2002) suggested in their relationship approach, where they deem partners as a fundamental part of internationalising.

The **potential clients** will be found within supermarkets due to B's inability to deliver to end consumers. Considering the total number of grocery retailers, the US ranks 13th (Passport Euromonitor International (j) 2022). As for selling surface US has approximately 226M m², ranking 3rd worldwide (after China and India) (Passport Euromonitor International (k) 2022). The first five retailers account for 45.6% of the market share by revenue (Passport Euromonitor International (h) 2022) and a Herfindahl-Hirshman Index (HHI) of 752 (Appendix 22), which according to the United States Department of Justice (2018), means the market is not

concentrated. Given B's focus on quality and CSR, the clients have been identified among the ones ranking first for perceived quality within the Retailer Preference Index, developed by dunnhumby (Karlson, Kahner and Rojas 2022). First-placed Wegmans is primarily present in the Northeast of the US, it holds a 0.9% market share (Wegmans 2022). Trader Joe is ranked second, is mainly present in Florida and New York (Trader Joe's n.d.) and has 1.3% of the market share. These retailers operate mainly in regions where the Brazilian community is more concentrated (Waters and Batalova 2022). Sprouts, with 0.5% of the market share, is another retailer that shares B values, and for this, it is advised to be considered a potential client (Sprouts n.d.). **Logistic partners** must be differentiated. Shipping companies must be identified if the company is aiming to export from Portugal. Cargo shipping would be suitable as the products have a lifetime of 6 months when frozen (M (a) 2022), and the freight costs are lower than air freight costs (Schlumberger 2009). The offering of logistic partners is particularly limited due to the nature of the products that require them to remain frozen for the entire duration. One operator allowing frozen container shipping is DHL, which offers ocean freight with door-to-door service. It also supports the customs clearance process (DHL (b) n.d.). Hapag-Lloyd is another relevant partner for refrigerated ocean cargo; nevertheless, in this case, they do not offer customs clearance services (Hapag-Lloyd n.d.). In the case of air freight, the number of potential partners is higher as the shipping takes less, and it is possible to use dry ice to keep products frozen. One such partner is FedEx (FedEx n.d.), and another is UPS (UPS n.d.), both offering customs brokerage. TAP Air Cargo, a division of TAP Air Portugal, offers another alternative with the additional ease of proximity to B (TAP Air Cargo n.d.). Given the level of complexity in handling the entire process, it might be advisable to rely on the expertise of experienced companies, such as CH Powell Co (CH Powell n.d.). In the US, refrigerated warehouses need to be identified as preserving the cold chain is of utmost importance. GXO, Burris Logistics, Unites States Cold Storage and Americold have been identified as potential

partners as they provide the required capabilities to fulfil B's needs by also providing supply chain services (United States Cold Storage n.d., GXO n.d., Burris Logistics n.d., Americold n.d.). Furthermore, DHL, UPS and FedEx can also be used within the US territory to deliver the goods to the client. **Government agencies** are another fundamental contact for B. The US Customs and Border Protection (CBP), which monitors shipments to and from the US, offers documents and support to companies aiming to export to the US (U.S. Customs and Border Protection (b) 2021). Another contact is AICEP, a governmental agency focused on supporting companies, particularly SMEs, with international ambitions (AICEP (c) 2022). Furthermore, if B sets up operations in the US, the U.S. Small Business Administration (SBA) provides support (SBA (c) n.d.). **Institutions** are another relevant contact for B. Within Portugal, B could leverage the support provided by the *Câmara de Comércio* (CCIP), which also aims to facilitate Portuguese companies to become international (*Câmara de comércio* n.d.). Another one is PALCUS, an American NPO founded by successful Portuguese Americans, which aims to strengthen ties between Portugal and the US, increasing the awareness of Portuguese culture within the US. Potential **bank partners** must be identified to provide additional funding or manage payments. Chase, Bank of America, Wells Fargo, citi and Capital One are the banks chosen to provide services to B. They have been chosen among the largest banks in the US (Statista (n) 2022) as they should ensure proper customer support and stability.

5.1.2.2 Competition

In 2021 the HHI of the baked industry in the US was 96.97, meaning that it is highly fragmented, with the first five companies with only 17.9% of the total market share, with around 43.3% of the market share controlled by artisanal producers (Passport Euromonitor International (d) 2022) (Appendix 23).

In the broader spectrum, B not only finds itself competing with general Bakery producers such as Bimbo Bakery USA and the many artisanal producers, but it also finds itself competing with

already established companies that are focused on producing Brazilian food (Figure 20).

Selected Information about Company B's US competitors				
Company	Revenue (2021) (M\$)*	Employees (2021)*	Product Range	of which B alternative**
Company B		25	19	-
GOYA	2,080	2,500	>50	1
Forno de Minas	41.2	1,001	>30	13
Brazi Bites	30***	19**	14	4
Gusto Brazil	10.8	6	10	1
Yoki Alimentos	179.2	1,001	>50	0
Amafil	21.5	451	>50	0
*Source Orbis	**Companies sites	***Source Inc		

Figure 20 - Information about US Direct Competitors

The selected competitors sell across multiple states through grocery retailers or specialized online sites that sell Latin or Brazilian Products. Most of the selected competitors have products directly in competition with B, mainly consisting of *Pão de Queijo*. Yoki Alimentos and Amafil are the only exceptions, as they offer a ready mix to prepare *Pão de Queijo* at home. Brazi Bites present variants of the *Pão de Queijo* and already sells its products in many leading retailers such as Amazon, Walmart, Whole Foods and Wegmans. A competitor to pay close

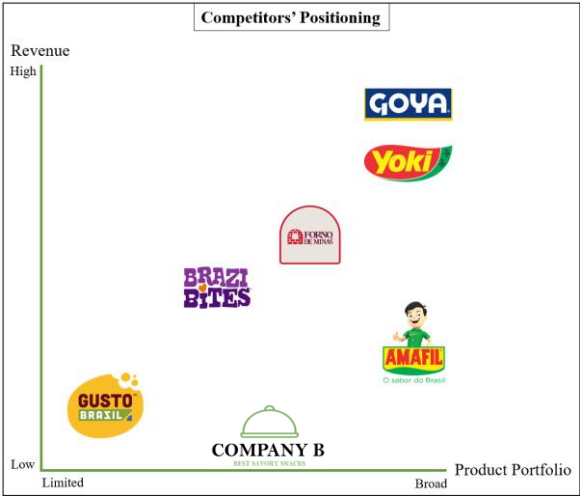


Figure 21 - Competitors' Positioning Map US

attention to is Forno de Minas. They still have a limited presence in the US but also offer many products that can compete with B's portfolio, such as *empada* and *quiche*. Following the information found in Figure 20, Figure 21 has been plotted. B finds itself in a complicated scenario where competitors have far more economic capabilities to

expand quickly to new locations and sustain broader marketing campaigns.

5.1.2.3 Overall Market Sales Potential and Company Sales Potential

The market sales potential is estimated using the chain ratio, which uses a series of percentages to narrow down values (Monash University n.d.). Globally, the baked goods industry is valued at 407B\$ (Passport Euromonitor International (e) 2022), and within the US, the value of baked

goods in 2021 was 76.5B\$ (Passport Euromonitor International (d) 2022) representing the TAM. The SAM is calculated focusing only on some of the categories of baked goods, namely, unpackaged pastries and frozen baked goods, which accounted for 13.37B\$ (Appendix 24). Of the overall market, only the percentage sold through selected retailers, such as supermarkets and hypermarkets, is considered, meaning 74.5% (Appendix 25) or 9.96B\$. Furthermore, only part of the 332M Americans are considered (The World Bank (c) 2021), specifically the ones living in the metropolitan areas with a higher concentration of Brazilian communities, as it is assumed they already know the product sold by B, namely Boston-Cambridge-Newton (BST), Miami-Fort Lauderdale-Pompano Beach (MI) and New York-Newark-Jersey City (NY) (Waters and Batalova 2022). For the following part, refer to Figure 22 as guidance and Appendix 26 for more insights.

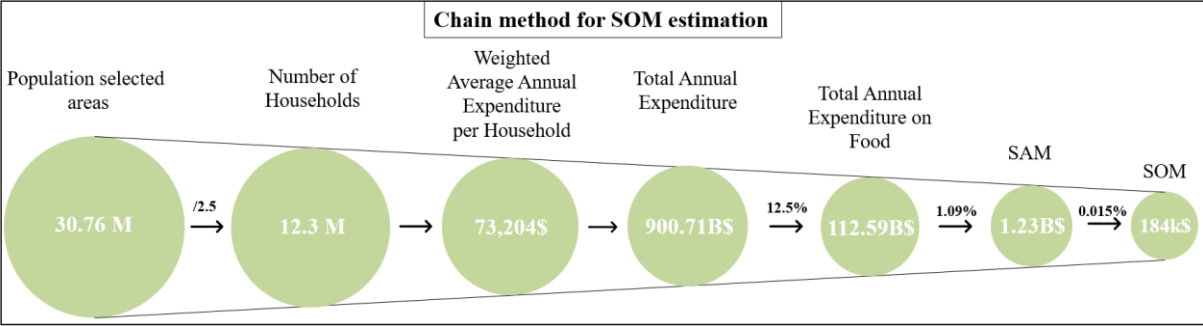


Figure 22 – Chain method for SOM estimation

For each metropolitan area, the Number of Households is multiplied by the household’s Average Annual Expenditure, totalling 901B\$ (Appendix 26). First, the US Average Expenditure on Food is used to refine the value, which is 12.5% (U.S. Bureau of Labor Statistics 2021). Finally, 1.09%, the ratio between 1) Unpackaged Pastries and Frozen Baked Goods sold in the selected retailers and 2) the Expenditure on Food, is used to estimate the Expenditure on selected Baked Goods, assuming the ratio is valid also for the selected areas (Appendix 27). The resulting SAM is 1.23B\$. To estimate B’s Serviceable Obtainable Market (SOM), an estimate of the average revenue of Baked Goods companies is calculated (Appendix 28). 76.54B\$, the overall US expenditure on Baked Goods (Passport Euromonitor International (d)

2022), is divided by 6,689, the number of companies operating in the baked goods industry. The resulting revenue are 11.4M\$, then multiplied by the ratio between the SAM and the overall Expenditure in Baked Goods, which gives the estimate of revenue that every company can obtain in the selected area, selling the selected products through the selected retailers. This value, 184.2k\$, is the SOM of B within the first year of operations, which corresponds to a market share of 0.015% (Appendix 28). Despite the projected reduction in the Baked Goods industry (Passport Euromonitor International (d) 2022), given the few direct competitors and the growing value of the ethnic food market (GVR 2020), B's could reach 1M\$ revenue within five years of operations, which is credible, as it follows the example of the most direct peer: Brazi Bites, which started operations in 2013 achieving in 2015 1M\$ in revenue (Spencer 2017).

5.1.2.4 Market Entry Conditions

Market entry conditions are considered in this paragraph to help understand the country.

Trade barriers – After the formal closure of the TTIP in 2019 (European Commission (g) n.d.), no free-trade agreement exists between the US and UE (Ibid.). Nevertheless, trades occur under the most favoured nation rate of 3.4%, which also applies to food (Congressional Research Service 2022, 10). Additionally, to enter the country, the imported food has to go through the customs clearance process operated by the BP (U.S. Customs and Border Protection (a) 2021), which usually takes one day (Jules 2018). Specialized companies can also help with the clearance process, ensuring the respect of the requirements (e.g. CH Powell n.d.).

Standards and Regulations – The Food and Drug Administration (FDA) is the governmental agency that sets the standards for food in the US (FDA (a) 2022). These requirements are applied whether the food is locally produced or imported (Ibid.). Compared to the EU, in the US, a genetically modified organism can be used in food production, but as in Europe, hormones in poultry are banned (Calderone 2016). Additionally, to the FDA, also the U.S. Department of Agriculture (USDA) has a role, for example, in setting requirements for

obtaining organic certification (U.S. Department of Agriculture (b) n.d.).

Registration and Documentation – US ranks 10th in the world for “Ease of doing business” (The World Bank (b) 2020), and setting up a company in the US only requires five days compared to an average of 20 (The World Bank (f) 2020). Nonetheless, there are specific mandatory requirements to operate a food company. If B wants to set up operations in the US, a Visa for the employer has to be released. B can only request an EB-5 Visa upon an investment of at least 500k\$ and the creation of at least ten full-time jobs (USA Corporate Services Inc n.d.); overall, the process should require 6 to 8 months (Ashoori 2022). Nevertheless, the process to register the business is as follows: 1) the production plant has to be registered with the FDA (FDA (c) 2020); 2) the food label has to respect the FDA requirements (U.S. Food & Drug 2022); 3) if the food is imported there is the need to file a Prior Import Notice (FDA (b) 2020); 4) every company have to respect the Food Safety Modernization Act (FSMA), which in the case of a foreign supplier (as for B), following the Foreign Supplier Verification Program (FSVP), it has to be verified from the importer (DNV n.d.). 5) Finally, as the company manufactures meat and poultry, HACCP certification is mandatory (National Agricultural Library n.d.). To facilitate the process, B can also rely on experts (e.g. FDA basics n.d.). Once the business is registered, the employer has to request a federal tax ID (SBA (a) n.d.).

Distribution – US is the 2nd largest economy for exports, accounting for 1.34T\$ (2020) (OEC (c) 2022). Specifically, the net-trade with Portugal is negative, with the US exporting 1.48B\$ of goods while importing 3.31B\$ (Ibid.). B can have logistic partners in every phase of the supply chain since the product exit the production facility to the final display on the grocery shelves, preserving the cold-chain (for more details, refer to paragraph 5.1.2.1).

Payment and financing methods – When opening a business, the bank account and loan conditions will depend on the owner’s credit score unless the company is constituted as LLC, S or C Corporation, where the score will be separate (Akalp 2022). In paragraph 5.1.2.1, some

potential financial partners have been identified, but given B’s status as SME, it might be better to seek SBA-backed loans, which offer better conditions (SBA (b) n.d.).

5.1.3 Norway In-depth Market Analysis (removed as it is individual contribution of Sander Brockow)

5.1.4 Spain In-depth Market Analysis (removed as it is individual contribution of Duarte Augusto Matos Teixeira)

5.1.5 Germany In-depth Market Analysis (removed as it is individual contribution of Kathrin Lederwascher)

5.2 Selection of Target Market

After conducting in-depth analyses of all five countries; **United States, Germany, France, Spain, and Norway** in order to establish a more thorough knowledge of the countries and their potential industry environments for Company B, the following will conduct further research to decide on one final country for further consideration into possible entry strategies and the establishment of an implementation plan. The highest potential market will be determined using a framework which evaluates each country based on four criteria: Contacts, competitive landscape, market sales potential and entry conditions (Figure 23).

Moreover, after consultation with B, it was decided to weigh the categorisation

Evaluation of the Top 5 Countries with Scoring						
Category	Country	Contacts	Competitive Landscape	Market Sales Potential	Entry Conditions	Score
	Weight (%)	20%	30%	20%	30%	
Countries	US	3	2.6	4	2	2.78
	Germany	3.8	3.4	3.4	4.4	3.78
	France	4	3.4	3.4	4.4	3.98
	Spain	4.8	2.4	3.4	4.8	3.8
	Norway	3.4	3.6	2.2	3.6	3.28

Figure 23- Evaluation of the Top 5 Countries with Scoring

depending on the importance for B’s internationalisation. **Firstly**, the number of already established and potential new **contacts** was weighted with 30%. Due to the organization’s structure and B’s preference to go into a country with previous experience, the variable received an above-average weight.

Secondly, the evaluation of the **competitive environment** of the countries received a

percentage of 25%. As already established in the in-depth analysis, since B's product portfolio is very particular and the small size of B, an equal comparison to other companies is challenging. However, judging the overall competitive landscape remains crucial to ensure success. Furthermore, knowledge of the competitive environment can further enable B to avoid business decisions that competitors might have taken.

Thirdly, the market sales potential is weighted with 15%. The low weighing of this category is primarily justified as B has restricted production capacities in the case of an exporting entry strategy and limited financial resources due to the trying times during the Covid-19 pandemic in the case of Foreign Direct Investments (referred to as FDI) entry modes. Moreover, the value was chosen low due to the need for more consideration of essential factors in sales potential, such as consumer preferences.

Finally, market entry conditions received the same importance as contacts, 30%. As already indicated in paragraph (3.4.4) on global readiness, the company's decision for internationalisation and especially the mode for internationalisation will be highly influenced by B's willingness to commit financial resources. Therefore, it is crucial for the decision of the final country to have a market with low entry barriers and a low requirement for investments. Moreover, the evaluation of entry barriers needs to be regarded in different subtopics, time to enter, difficulty to enter the country, required registrations and documentation and financial resources necessary for entry, such as duties and tariffs. Concluding the results of the comparison framework (Figure 23) of the in-depth research, France represents the overall best opportunities as B's destination for internationalisation.

The following will establish some reasons for the decision to forgo France as the highest potential country for the final stages of the project. Although France's competitive landscape already shows many international and even global participants, the size of the French market for savoury snacks, with 2.6B\$, especially in the high-quality B offers, still seems open and

encouraging to new players (Trenda (c) 2021). Moreover, the French fondness for high-quality premium products, indicated by the increasing share in food expenditures on organic products to 6.6% in 2021 (Trenda (d) 2022), as well as the higher price for products presents B possibilities to potentially explore higher prices (Askew 2019). A 2019 study ranked France as the sixth most expensive country for groceries, just after Denmark, but before Germany, Spain, and Portugal (Askew 2019). Furthermore, a recent study in 2022 in France suggested that one-third of participants state that the convenience of food is crucial to them, a considerable advantage for B as the product portfolio primarily consists of products that can be easily consumed (Kunst (b) 2022). Another trend which shows increasing importance in consumer purchasing behaviour in the food industry is the increasing importance of the freshness of products. B can further satisfy this as the products will be freshly frozen; therefore, the freshness and longevity are guaranteed (Kunst (c) 2022). Overall, it should also be highlighted that the French food industry is open to exporting foreign products, especially from Portugal, concluding a total import of around 369m\$, accounting for 5.2% of France's food imports in 2020 (WITS 202). One of the biggest challenges B might face in France is the increasing significance French consumers put on consuming regional products. 40% of participants suggest regional products are vital when choosing products due to increasing sustainability awareness (Kunst (c) 2022). However, B can overcome this by choosing the right entry strategy or adapting to local suppliers.

In conclusion, weighing up all the countries' advantages and disadvantages through the framework (Figure 23), France shows the most considerable potential as the target market for B's successful internationalisation.

6. International Entry Strategy

6.1 Selection Criteria

The next stage of this project is assessing which entry mode strategy is most suitable for

Company B to enter France. In order to select the entry mode, it is necessary to analyze four factors: internal, external, transaction-specific and desired mode characteristics. Each element will be evaluated to assess if B is more suitable for an internationalisation, externalization or an intermediate expansion mode. Contradictorily, the first mode suggests high costs and risk while offering low flexibility but high control. Meanwhile, the second mode entails low costs and risks, whereas flexibility levels are high with low control levels. Regarding **internal factors**, we will start by analysing **company size**. In 2021, with a 7.75M€ revenue, B is considered a Micro company (European Commission (h) n.d.). Therefore, B does not have the resources to control the international expansion, indicating an **externalization** mode. Secondly, regarding **international experience**, B is currently exporting to various EU countries (Spain, Italy, Germany, Belgium, and Austria) and already exports to France. Nevertheless, this experience is of a small scale compared with the proposed international expansion, and there needs to be more vital brand awareness. If this was the case, high-control entry modes were more efficient (Anderson and Gatignon 1986). Considering that the entrant's level of control and the international knowledge should be positively associated (Anderson and Gatignon 1986), B is considered at an **intermediate level**. Thirdly, regarding **product complexity**, B is at the **intermediate level**. The four products to be internalized are family recipes that should be maintained within a close circle. Additionally, B expressed its desire to maintain high standards of quality, ingredients freshness, and customer experience. However, the distribution process does not require special care. Lastly, regarding the **competitive strategy**, B's target is to substantially grow the company in the following years, increasing revenue and market share. All prior internal criteria evaluated show a shift towards the **intermediate level**. Just as important, continuing with the External factors of the foreign market, first **sociocultural distance** will be analyzed. Against Portugal and Brazil, France presents cultural similarities scoring a low value in terms of Hofstede, 1.3 and 0.6, respectively.

Moreover, France is geographically very close to Portugal, and both are a part of the EU. Therefore, when perceived distance is low, a low resource commitment entry mode is favoured (Hill, Hwang and Kim 1990), suggesting an **externalization level**. **Demand uncertainty** can be a challenge for B. Even though B aims to expand and acquire new infrastructures in Portugal, being a micro-company and the fact that the market of frozen savoury goods has such a wide variety of products corresponding to 6.5B€ in revenue 2020, the volatility of Brazilian and Portuguese products' demand is high. Firms should react to volatility by avoiding high-control entry modes because they are inappropriate for environmental shifts (Hill, Hwang and Kim 1990), suggesting an **externalization** strategy. Moving to **trade barriers**, France and Portugal are part of the EU, implying that there are no tariffs when goods are transported between them, indicating an **externalization** mode. Regarding the **intensity of competition**, in France, there is only one meaningful direct competitor, Cafuné Paris, even though it only competes with *Pão de Queijo* and not the other three products to be internationalized. Therefore, B has a broader offering with which to differentiate itself. However, France's Bread and Bakery Goods Production market are already saturated with 34,490 companies (IBISWorld (c) 2022). The greater the instability of competition in the local market, the greater enterprises' preference for resource-light options (Hill, Hwang and Kim 1990), justifying an **intermediate** mode. Lastly, France is characterized by having a wide variety and easy access to **relevant intermediaries**, which facilitates an externalization mode. When all factors are taken into consideration, an **externalization** mode is preferred. Moving on to the **transaction-specific factor**, starting with the **tacit nature of know-how**, B has been operating since 2001, acquiring essential know-how of the industry and its challenges, suggesting a high control mode (Anderson and Gatignon 1986). However, B is already exporting to the EU, and being its preferred strategy, results indicate that an **intermediate strategy** is preferred. Regarding **opportunistic behaviour**, there is a slight chance of competitors acquiring the recipes, the knowledge, or the contacts of B.

Therefore, an **intermediate** strategy is advised. As a result, the **intermediate mode** is preferred relative to the Transaction Specific Factor.

Lastly, **risk aversion** will be first analyzed regarding the desired mode characteristics factors. Since D/R is 1.52 and resource commitments of an internalization approach are extensive, it is clear that B cannot afford to have sunk costs, this constitutes an exit barrier, and B is advised to follow an **externalization** approach. Second, B did not express concern regarding not having control of the distribution of products. However, the company wants to guarantee the ingredients' high quality and freshness. Consequently, an **intermediate** mode is suggested. Lastly, regarding flexibility, an **externalization strategy** is favourable as B cannot sustain losses, and in case needed, it can shut down operations quickly. Considering these last three factors, an **externalization** entry strategy is advised.

Concluding, analyzing all elements, B should pursue an **externalization strategy**, implying low costs, low risks, high flexibility to change or end the new strategy and low control over the distribution process, maintaining the control of quality B desires.

6.2 Analysis of Alternative Entry Modes

The previous paragraph discussed the different criteria to be subjected to when deciding on an entry strategy for Company B. The following will analyze the advantages and disadvantages of these options for B. Although therefore, the following part will be divided into two distinctive categories, Exporting and FDI modes. The most significant difference there is the involvement of non-involvement of equity.

Firstly, exporting as a potential entry strategy needs to be differentiated between direct and indirect exporting. The distinguishing features are the degree of control and, as a consequence, levels of profit return (Ross 2022). **Direct exporting** gives the company the possibility to interact with the customer directly. Direct exporting would give the company the highest degree of control over the processes from the production facility until the products reach the end

consumer. While there would not be the need to share profits, there would also be no support (Ross 2022). **Indirect exporting**, on the other side, involve a third party in the process between the consumer and the manufacturer (Ibid.). The intermediate could be a warehouse, wholesaler, or retailer, this would involve less risk and financial resources for B while generally also slimmer profit margins and less control over the market strategy of intermediates (Ibid.). As established in the In-depth analysis of the French food industry, the market does offer a variety of potential contacts for B, some even Portuguese players, potentially simplifying the process. Concluding on both exporting entry strategies, the advantages of high levels of flexibility as the risk and resource involvement are low, a potential quick withdrawal would be possible.

Secondly, Foreign Direct Investment (FDI) indicates a company's investment in a long-term relationship and its stake and interest in an enterprise outside the country of origin of the investing company (UNCTAD 2019). France is globally the 18th largest recipient of FDI, with almost 12,000M\$ in 2021, although decreasing in recent years due to the effects of the Covid pandemic (Santander Trade 2022). Due to different possibilities involving varying levels of risk and equity involvement, literature distinguishes between subsidiaries, mergers and acquisitions and strategic alliances (Chung and Enderwick 2001).

Subsidiaries can further be differentiated between the percentage of ownership the investing company has in a new organization, wholly owned subsidiaries suggesting 100% of stakes are owned by one stakeholder, while majority shareholders hold between 51% and 99% of the stakes (Kenton 2022). This would allow the investing company to share risks for a trade-off in rewards, while in the case of majority shareholders taking on all risks while receiving all the financial rewards. Furthermore, in recent years France has reduced the legal steps and requirements for foreign companies to build subsidiaries in the French market, which benefits B if it is looking for a quick market entry (Santander Trade 2022).

Mergers and Acquisitions (henceforth referred to as M&A) moreover give companies desiring

to invest in new markets the possibility to acquire another potential competitor and their already established network and brand on the market, which would include high financial resources. Moreover, another possibility is to combine forces with another established company, sharing risks, knowledge, and intellectual property (Alfaro 2014). M&A are especially in industrialized countries, ubiquitous as part of brownfield FDI's options (Alfaro 2014), which makes France an ideal market for it with 784 M&A deals just in Q1 of 2020 (Statista (aa) 2022).

Moreover, **strategic alliance** (henceforth SA) has distinctive options varying in risk, flexibility, resource commitment and potential return; equity and contract-based alliances, joint ventures, franchising and licensing (Gomes 2020).

Contract-based alliances can be any contract between two businesses with mutual benefits for both sides and, most importantly, without any equity share (Man 2012). In B's case, this could be in alliance with potential manufacturers when outsourcing the manufacturing process or even with suppliers to have guaranteed deliveries or special price conditions.

Contrary **equity-based alliances** as part of Joint Ventures include equity exchange, either in the form of one company purchasing equity in another or both businesses acquiring equity in each other, resulting in cross-equity transactions (Man 2012). In the case of a foreign company entering a new unknown market like B, creating a **Joint venture** with a local company can support with established networks, contacts and even brand recognition for customers with an already settled firm. Setting up a Joint Venture in France, similar to all over Europe, there is no restriction for investors from another European country (CMS Francis Lefebvre 2022).

Moreover, **franchising** the business would be an option to enter a new market, with however lower initial cost and, in return also lower, as well as the restriction that franchising usually has the benefit for the franchisee to take advantage of an already established brand image, something that is not the case for B (Hayes (a) 2021).

Finally, **licensing** the product's intellectual property and licenses allow the licensee to make

money from it (Bloomenthal 2022). Licensing could increase B's international reach. However, licencing the product would mean they lose all control over the product and how it is marketed while only getting slim profit returns. Therefore, when considering all the different options, there are for the market entry of the French market and significantly the benefit of very few to non-existing restrictions of foreigners in the market, The penultimate paragraph will compare and contrast the aforementioned benefits and drawbacks and align them with B's goals to select the optimal entry strategy for the business and market.

6.3 Entry Mode Selection

After carefully addressing the company and the possible Entry Modes, this paragraph's purpose is to determine which among the presented Entry Modes is most suitable for Company B.

When considering France as the country to expand, no restraints can be highlighted. Being both France and Portugal within the EU, there are no customs, and the free trade of goods is guaranteed (European Union (b) 2022). However, as previously stated, B needs to address the limited production capacity before expanding operations elsewhere. The company has already planned to purchase a new plant (M (a) 2022). Given the **limited cash reserves**, this will be funded either by a capital raise from the owners or a financial loan. For B, requiring a loan will be costly as, in addition to the current scenario, banks tend to avoid conceding loans to SME companies (The World Bank (d) n.d.).

The previous paragraph divided the entry modes into two categories: FDI and exporting. While some entry strategies have already been excluded, others deserve more attention. In order to decide the entry mode, the main characteristics of each entry mode represented in paragraph 6.2 are compared to B's current and expected future capabilities (Figure 24).

Compatibility of Entry Modes with Bem Brasil					
Mode	Financial Commitment	Exit Barriers	Control Over Quality	Control of Intellectual Property	Pursue
Wholly-owned subsidiary	✗	✗	✓	✓	✗
Majority-owned subsidiary	✗	✗	✓	✓	✗
M&A	✓	✗	✓	✓	✗
Joint Ventures and Equity-based alliances	✓	✗	✓	✓	✗
Non-equity alliances	✓	✓	✗	✗	✗
Direct exporting	✗	✗	✓	✓	✗
Indirect exporting	✓	✓	✓	✓	✓

Figure 24 - Compatibility Entry Modes with Company B

As shown, both the **wholly-owned** and **majority-owned subsidiaries** are excluded, given the initial financial commitment that B cannot bear. M&A, Joint Ventures and

Equity-based alliances present lower financial commitment than the previous two entry modes, but it will be harder for B to exit the French market if needed. As a result, FDIs are excluded. In contrast, non-equity alliances might not be able to ensure that the quality B aims for is respected if partners produce the product, even when accurately chosen. Furthermore, B would risk losing control of the knowledge acquired over time despite the low entry and exit costs. Therefore, only the export mode can be considered. B currently has limited capabilities to handle the entire supply chain directly. Within **exporting**, direct and indirect can be identified. **Direct exporting** can be excluded as an option following B's aim to provide the products to the retailers, using them as an intermediary for the final consumer. As a result, **indirect exporting** is the only viable option left, which is also what the company currently do. In indirect exporting, it is fundamental to identify a partner company that can effectively manage B distribution. LogiFrio had been identified as the potential contact B could collaborate with. B can rely on LogiFrio's extensive network of temperature-controlled warehouses and capillary reach within France and Portugal (LogiFrio (a) n.d.). LogiFrio provides the much-needed comprehensive service, handling transportation and storing in warehouses, allowing B to focus on increasing production, and ensuring the respect of all food standards (LogiFrio (b) n.d.). The recommendation to rely on **indirect exporting** is not only in line with the capabilities the company can develop in the short-medium term, but it is also in line with the inherent risk of expanding to new countries.

7. Marketing Plan

7.1 Marketing Objectives

Every company is built on a hierarchy of objectives, starting from the top with the purpose, followed by the already established mission, vision and values (3.1.3), corporate objectives, departmental objectives and at the bottom, every employee’s objective. Moreover, all objectives must be aligned throughout the organization and supported by marketing objectives.

Therefore, the following will analyze Company B’s objectives on an overarching macro and a

micro level (Figure 25). Macro-level objectives will primarily revolve around the corporate goals when entering

Marketing Objectives, KPIs and Timeframe			
Macro Level Objectives	Micro Level Objective	Measurement of Success KPI	Timeframe
Increase Revenue	Increase revenue up to 340k€ in the first 12 months of operation	Sales volume	Short-term
	Increase profit margins by 20% within the first year of operation	Net profit margin	Short-term
	Increase sales by 5% by promoting gluten-free certification	Survey sampling of purchasing behaviour	Short-term
Establish new market	Increase the number of clients B2B segment by 5% in 2 years	Food fairs and events to increase network New Client contacts	Short-term - medium term
	Increase brand awareness for end consumers by 5% in 3 years	Branded Search Volume	Long term

a new market, while

Figure 25 - Marketing Objectives, KPI and Timeframe

micro-level objectives will precisely conclude marketing-related objectives based on the management framework of “SMART” requirements (Doran and Cunningham 1981). The general **macro-objective** for B will be to increase top-line and bottom-line growth through market entry into France, as well as a less quantifiable objective of establishing a new market. Successful market entry measured in corporate objectives for B would be to grow their international network of customers in the B2B segments, increase sales, and build a fundamental customer base in France. However, more importantly, this analysis establishes marketing objectives on the micro-level.

Firstly, and most importantly, a marketing objective is to **increase sales** up to 340k€ in the first 12 months of operations (considering 2023 as the beginning) by increasing sales to B2B customers in the supermarket segment. Sequentially, marketing will support a 46% growth in revenue in 2025. Additionally, profit margins will be increased from 3% to 3.5% in the first 12

months of operations through improved pricing strategies, specifically for the French market. Entering a new foreign market will require B to differentiate and adapt its targeting, positioning, and pricing approaches to the industry environment. Furthermore, B will need to acquire the “**Gluten-free stamp**” to further boost sales by 5%, which will be possible by purchasing a separate machine, located in a different designated area. The KPI to measure the marketing objectives’ success will be a sampling survey of changing customers’ purchasing behaviour due to the certification. Concluding all three micro-objectives to the macro-objective of increasing revenue will be aimed at meeting in the short term to improve the financial situation of B. Lastly, the long-term objective for B is to build a **market share** by establishing **brand awareness** in the next six years with the end consumers, measured by google search hits increase for Brazilian and Portuguese specialties resulting in clicks for B. The aim is that in six years, B should be able to leverage its high-quality provided products as the main distinguishing feature of brand recognition for consumers looking for a Portuguese/Brazilian snack. Building brand awareness is considered a long-term goal as it is impossible to build real awareness for B within a short period, although both objectives must be set since the inception year 2023.

7.2 Segmentation

Marketing strategy relies on three concepts, segmentation, targeting, and positioning. First, a firm needs to assess the different groups and needs its product satisfies, then should target the most profitable and the easier to satisfy in a superior way segment, and, finally, the company must position its offerings (Kotler and Keller 2020)

Prospective consumers with comparable requirements and desires who respond similarly to marketing actions are grouped via market segmentation (Tarver 2022). For the Segmentation to be impactful, market segments must be measurable, substantial, accessible, differentiable, and actionable (Kotler and Keller 2020, 236).

In the development of **personas**, gathering information about consumers regarding their demographics, lifestyle, psychographics, and benefits is necessary. Unfortunately, Company B does not have such detailed customer information since the product is sold mainly to businesses. However, the marketing segmentation is still relevant since the end consumer still needs to be targeted directly by B. Therefore, the *personas* were established based on market trends regarding the consumers' behaviours towards supermarkets and Brazilian products.

Family Heroes - This market segment comprises the primary grocery purchaser, typically a parent, who purchases groceries for the family (Guide 2022). As a result of the preferences of the end-users, typically the children, their purchases tend to be relatively consistent, with occasional significant variations (Guide 2022). In addition, this segment will generally purchase large quantities and look for healthy products that will attract their children, for example, by having drawings in the packaging and a good taste for kids. Lastly, Family Heroes have a busy and rushed life, a parent does not have much free time because of their children and work, so an easy and fast product to cook is always a good option.

Gourmet Focus - This market segment seeks high-quality products, associating price with high quality and freshness of ingredients, therefore, willing to pay a premium price. Usually, these consumers consider social status when they purchase, promoting renowned high-quality brands and premium packaging (Guide 2022). Lastly, they aim to have a healthy and nutritious lifestyle, with no food with additives, preservatives, colouring, or sugar.

The Busy One - This market segment typically leads a busy lifestyle and does not have the time to prepare weekly meal plans or to cook. As a result, these consumers tend to have above-average purchases of ready-to-eat and convenience products (Guide 2022). Moreover, with the increase of women in the workforce, no one is cooking at home (Marcellus 2019). Typically, with lack of time, thanks to their jobs, these consumers only go to the supermarket very last minute when there is no food at home. Also, the "Busy One" wants an easy-to-cook meal that

does not require effort or time and is not too concerned about the quality of the products.

Food Adventurous -This market segment is curious, constantly searching for new and different products, anything different from their country of origin's products. These consumers want to learn more about the world and what it offers, constantly seeking new experiences. Regarding food, "Food Adventurous" wants to experience products loyal to its origin country. Figure 26 aims to deeply characterize each one of the market *personas* and their preferences.

Family Suppliers	Gourmet Focus	The Busy One	Food Adventurous
 <p>Age: 35-55</p> <p>Education: Master's Degree</p> <p>Household Income: 25,000\$ - 90,000\$</p> <ul style="list-style-type: none"> - main grocery buyer that is buying groceries on behalf of their family; - their purchases tend to be regular at its core; - generally, purchase larger quantities. - healthy food - fun package <p>Benefits Sought: Large quantities; Easy and fast to cook;</p> <p>Customization Preference: Attractive pattern; Fun package.</p>	 <p>Age: 45-70</p> <p>Education: Bachelor's Degree</p> <p>Household Income: 35,000\$ - 100,000\$</p> <ul style="list-style-type: none"> - higher-quality products; - willing to pay a premium price; - generally not price-sensitive and less interested in loyalty programs; <p>Benefits Sought: Known high-quality brand;</p> <p>Customization Preference: Gourmet aspect.</p>	 <p>Age: 25- 35</p> <p>Education: Master's Degree</p> <p>Household Income: 20,000\$ - 40,000\$</p> <ul style="list-style-type: none"> - has a busy lifestyle; - tends to do above-average purchasers of ready-to-eat foods, snacks and other convenience foods; - rushing through life doesn't have time to do a weekly meal plan or to cook; - generally, goes to the supermarket last minute and isn't concerned about the quality of products; <p>Benefits Sought: Easy and fast cook; No effort;</p> <p>Customization Preference: Basic aspect.</p>	 <p>Age: 20 - 40</p> <p>Education: Master's Degree</p> <p>Household Income: 15,000\$ - 35,000\$</p> <ul style="list-style-type: none"> - curious about trying different activities, foods, and experiences; - wants to know more about other cultures, being active in finding new adventures; - open to new products; <p>Benefits Sought: Products loyal to their origin country;</p> <p>Customization Preference: Brazilian and Portuguese mentioned.</p>

Figure 26 - Segmentation

7.3 Targeting

Following the **Segmentation, Targeting, and Positioning** tool (short STP), after defining the market segments, the target audience must be selected by evaluating the potential and

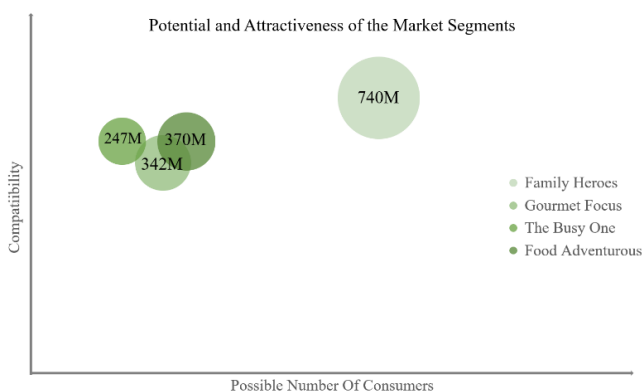


Figure 27 - Potential and Attractiveness of the Market Segments

attractiveness of each market segment (Figure 27). With this goal in mind, the market segments were evaluated through three criteria, the number of possible consumers, total estimated expenditure by segment in one year and compatibility with

Company B's products. The last criterion was evaluated by three factors, **aesthetics** of the package, the **importance of easiness** of cooking the frozen products and the **utility** of the package size. Appendix 29 explains the details to reach Figure 28's numbers. Due to the lack

of information, comparisons and assumptions were made in every category. Additionally, the most recent year was used, aiming for the most accurate data.

Therefore, the best option for B is to target the market segment **Family Heroes** because it is the segment that is most compatible with B product’s features and is the segment that has the highest possible number of consumers.

Indicators		Target				
		Family Heroes	Gourmet Focus	The Busy One	Food Adventurous	
Frozen Baked Goods Industry’s Revenue (M€)	91.6	Age	35-55	45-55	25- 35	20 - 35
Package Pastries Industry’s Revenue (M€)	1,178.8	Total Population (M)		67.41	67.41	67.41
Total Industries’ Revenues (€)	1,270.4	Population between Ages (%)		37.62	11	17.12
Total Population (M)	67.41	Percentage of Total Population that seeks High Quality (%)		40		
Expenditure per capita (€)	18.85	Number of Households with Kids (M)	10.591			
		Average Household Size	2.18			
		Number of Possible Consumers (M)	23.09	10.14	7.42	11.5
		Expenditure per capita (€)	18.85	19.79	18.85	18.85
		Total Expenditure by year (M€)	435.12	200.73	139.74	217.49
		Ashtectics	5	8	6	7
		Easiness to Cook being Frozen	10	6	7	8
		Size	10	5	8	6
		Compatibility	8.33	6.33	7.00	7.00

Figure 28 - Target

7.4 Positioning

Positioning is developing Company B’s offer and image to dominate a distinct and recognized place in the target customer’s mind (Keller, Apéria and Georgson 2012). Concluding the final stage of the **STP model**, the following will establish Company B’s **positioning strategy** for the new market entry. An effective positioning aims to plant the desired brand meaning into the consumer’s mind. Moreover, it helps to guide the marketing strategy and clarify the brand’s objections and distinctions from competitors’ brands. As established in the previous chapter, B will focus on “Family Heroes”. In order to attract this specific client, B is required to offer a product highlighting the highest possible quality standard and a suitable price to reflect the quality. Therefore, B must focus on creating a suitable positioning aligned with the desired brand image to build customer loyalty, which is especially crucial in the early stages of the internationalisation project.

7.4.1 Value Proposition and Positioning Statement

B can communicate its promises to its customers through the **value proposition**, which will be

delivered when buying Company B's products. Moreover, B will need to communicate a **unique value proposition** (henceforth UVP) to create a competitive advantage.

The UVP is built upon two categories, the Point of Parity (short PoP) and the Point of Difference (short PoD). In the case of B's industry, the essential standards required are a good taste of the food, convenience, and product variety. However, as these will not build a competitive advantage for B, they must build on their PoD. The PoD indicates values that are genuinely unique to B and give them a competitive edge. Previous analysis has established the high-quality products, the extensive product portfolio, and the customer service as the main characteristics specific to B, therefore identifying B's PoD. Concluding, B's unique value proposition as "Convenience to save time in your busy life, with quality to enjoy every moment."

Moreover, obtaining a strategic internal statement to assist tactical executions and a **positioning statement** for B's successful market entry will be formulated as follows:

"For international consumers seeking high-quality convenience ready-to-go snacks, B provides the highest quality with excellent customer service and a diverse product portfolio. In addition, B's long history in the business has consistently established the most authentic and highest quality over the years, upholding the companies' values of integrity, social responsibility and family sense while striving for continuous excellence."

7.4.2 Positioning Map

In order to identify Company B's positioning in the market relative to its offered products, the following will establish a perceptual map along two distinctive categories. The **perceptual map** will be established around the convenience of the product and, respectively, the importance of convenience of the customer segments and the presentation of the product, with the importance of the presentation of each customer segment. As B's positioning was already established, according to Porter, generic competencies as the differentiation strategy providing

multiple customer segments with high-quality products (see 3.4.2). Therefore, the analysis aims to establish the most suitable product positioning for the selected segments. Concluding, it can be suggested that, especially with the *Pão de Queijo*, B seems to follow a **differentiation strategy**. It highlights the uniqueness of the products, the convenience, and the product presentation, making it an excellent fit for the “Family Hero” (Figure 29). Moreover, additional

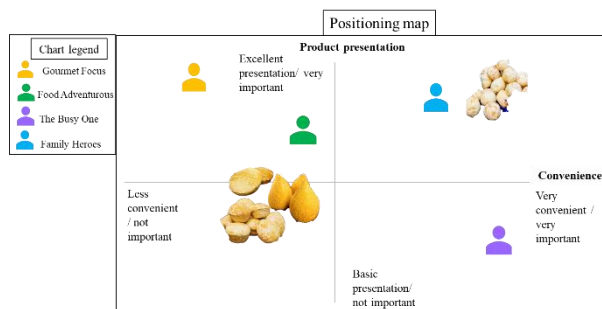


Figure 29 - Positioning Map, Product and Customer Segments

products, such as the *Coxinha de Frango* and the *Empada de Frango* and *Tarte de Frango e Catupiry*, are an excellent fit for the “Gourmets” and the “Adventures”.

The results suggest that, at least for three of the four customer segments, a perfect solution in B’s product portfolio again highlights the **differentiation positioning** with a **focus on quality, convenience**, and products for a broad range of consumers.

7.5 Marketing Mix – 4 Ps

Neil Borden introduced the marketing mix in 1984, the basis for the well-known matrix of the 4Ps, **Product, Price, Promotion, and Place** (Borden 1984). As the objectives of the marketing strategies have already been outlined in the preceding paragraphs, this section will examine how these objectives can be achieved throughout a marketing plan. As B is entering an uncharted market with the French market, a marketing plan must be developed beforehand to ensure that new clients are targeted most effectively, thereby ensuring a successful internationalisation. Moreover, for successful marketing implementation, it is crucial to allocate financial resources to support the activities correctly and efficiently by prioritising the goals to achieve the most impactful ones. Furthermore, results and performances must be continuously monitored, and progress checked through previously set goals of KPIs.

Product – This represents everything that can satisfy a need (Kotler and Keller 2020). To define B’s product, the Customer-Value Hierarchy will be used (Figure 30). This framework examines the level of contentment a consumer experiences after making a purchase in five levels, each adding more value for the customer (Contributor 2021).



Figure 30 - Marketing Mix - Product

The **core benefit** represents the service or competitive edge the consumer is purchasing (Kotler and Keller 2020), which is the high-quality Brazilian and Portuguese food. The **basic product** elements that deliver the Core Benefit (Kotler and Keller 2020) are the Brazilian and Portuguese know-how, the fresh ingredients, and the packages. The **expected product** characterizes the typical characteristics and prerequisites purchasers anticipate when purchasing B’s products (Kotler and Keller 2020). The customers’ expectations for B’s products are their Portuguese and Brazilian origins, ease of cooking and excellent taste. The **augmented product** are features that exceed customer expectations (Kotler and Keller 2020) and combines the excellent customer service B provides B2C and B2B, for example, by offering just-in-time manufacture and deliveries. Finally, the **potential product** incorporates the promising alterations B products might undertake (Kotler and Keller 2020), which is the gluten-free stamp that will be possible to have once B increases its facilities and has a separate production line for gluten-free products.

Price - To establish the most suitable pricing strategy for B, two approaches can be used, value-based pricing or cost-based pricing. Due to a lack of information, **value-based pricing** will be used. Moreover, the prices are influenced by the following factors, competition and elasticity, ease of comparison and customers’ preferences or potentially the willingness to pay. Initially, it needs to be decided between a price penetration and a price skimming strategy. In the case of

B and an unknown market entry, before potentially increasing prices in the future, it would be prudent to use a price penetration strategy to establish market dominance. However, it needs to be highlighted that as B will be selling to supermarket chains and retailers rather than the end consumer, the end prices of consumers cannot be compared.

Moreover, there is not enough information available to evaluate the prices at which B’s competitors sell the product to retailers or wholesalers. Furthermore, from previously conducted business with the foreign supermarket chain "Mercadona" in Spain, B has experience in pricing, and the **bargaining power of supermarkets** over small suppliers is very high due to their low switching costs. Regardless, Figure 31 analyses the products of B’s prices compared to competitors’ prices sold to the end consumers to establish a tendency of prices in France compared to Portugal.

Price Comparison in Portugal and France					
Product/Company	Company B	Pingo Doce (PT)	Prozis - FR	Monsieur de Queijo - FR	Pão Cafuné Paris - FR
Pão de Queijo		0.16€/unit	0.26 -0.33€/unit	0.26 - 0.37€/unit	1.30€/unit
Coxinha Mini		0.68€/unit	-	-	-
Tartes		-	-	-	-
Empadas		0.99€/unit	-	-	-

Figure 31 - Price Comparison

Comparing the price levels of the French market to the Portuguese market, it is suggested to **increase the prices by about 20% per unit** to have competitive prices and compensate for the additional exporting costs that will be necessary. This number is based on the price difference between Pingo Doce in Portugal and the lowest price on the French market, which concludes with a 40% difference. However, the prices are not entirely comparable, primarily due to generally lower prices in supermarkets and small cafés.

Additionally, it is not advised to **offer customer discounts**, as it could indicate that the product is less desirable than it was in previous times or low product-quality, something B should not aim at. Finally, for legal payment terms, B should hold their customers to a **payment period** of 90 days, allowing a more extended payment period for customers than legally advised, building on European law (CMS 2021).

Promotion - Promotional advertising is crucial in determining how to advertise the products and consequently establish the most effective channels for the target audience. Advertising activities will include potential public relations work and the establishment of an overall media strategy. As B primarily aims to conduct B2B business, the following will differentiate the promotional activities into targeting audiences between B2B and B2C. The main aim of promotional activities in the **B2B** segment will be to get the attention of supermarket chains and other businesses in the food industry throughout France. One possibility for this could be to exhibit B's food in a booth at one of France's many **food fairs** happening throughout the year. The *Sandwich and Snack show* is just one of the many possibilities where B could present itself to other businesses and acquire essential contact in the French food industry to kick-start the market entry. B could present itself with its booth between April 12th and 13th, 2023. Exhibitors pay a fee and therefore get to show their products to other competitors and, more importantly, customers from the business sector. The food fair would be a wise investment for B. Moreover, another possibility could also be the "Sial – the global food marketplace" in Paris, with accumulated costs of about 2,640€ for a booth at the fair in 2024 (Paris 2022). The success of this objective will be measured through the percentage of follow-up orders conducted through the representation on a food fair. Another measure that will be taken in the B2B segment is hiring a **sales representative** in the French region to enable direct contact between B and French customers. As B has limited knowledge of the French industry, it would be beneficial to consider in the hiring profile that the employee should have previous experience and potential knowledge of the French food industry. The goal for the employee should be client acquisition and client care to provide excellent customer service. Especially in the first years of establishing the new market, it will be crucial to have an employee who can add value through established networks and contacts. In order to be able to investigate the success of the sales representative, it is essential to prior agree to a number of closed deals that the company

is aiming at and then regularly check the progress.

As we have already established, even though it is crucial for B to get in contact with business customers, in the second step, it is vital to target the **end-consumer** to convince the customer to buy B's products over the competition. Therefore, **promotional activities** are an essential part of the marketing plan. In the previous phase, we established "Family Heros" as the most suitable segment for B. Moreover, the promotion needs to be customized for their needs and wants, especially to the most preferred channels. As a first step, it is suggested to indulge in the possibility of doing **food sampling** in Supermarkets in the Parisian area to increase visibility,



Figure 32 - Posters Outside of Supermarkets to Promote Food Sampling

offline marketing approach. Initially, it is suggested to conduct food sampling in multiple Supermarkets in different areas throughout the greater Parisian area, and potentially through partnerships with different supermarkets to reach different customer segments depending on the supermarket. Finally, to target B's audience of **family parents** of generation x, **online social**

which is crucial, especially in the early stages of market entry. Shoppers will be attracted by **posters** outside supermarkets (Figure 32) to try B's products in the supermarket (Appendix 30). Moreover, this will present B with a perfect broad target audience, grocery shoppers, as an



Figure 33 - Facebook Posting to attract Customers

media platforms such as Facebook or Instagram are a substantial influence. Moreover, the authenticity of the content is crucial for the target audience (Wiley 2022). Therefore, in the initial phase, it is suggested to increase social media engagement on Facebook and Instagram. The **social media content's** focus should be customer-centric, highlighting how B's product can address the customers' pain points, such as the

time pressure of parents (Figure 33) (Appendix 31). Moreover, by sharing stories on what values the company is built on, B can reach consumers feelings and thoughts to convince them of its values and high-quality standards. Particular focus should be put on its social responsibility, showing the target audience the company’s focus on creating shared value.

Place - The place considers where the product should be available and how it should be displayed (Twin 2022). Typically, between the producers and the buyer, there are a set of independent intermediaries that allow a product to be accessible to the consumer (Kotler and Keller 2020), in other words, marketing or distribution channels. B should pursue a horizontal dimension to combine resources with other companies to benefit from a new market opportunity. In addition, B needs to try to reach a broader market when entering the French market. Therefore, B should establish a B2B strategy, selling to physical retailers, such as Supermarkets, Hypermarkets, Convenience Retail Stores and Discounters, which implies low

control, low cost, but potentially higher coverage (Figure 34). Additionally, when negotiating contract terms, besides deciding the cost of the transaction, B should aim to discuss

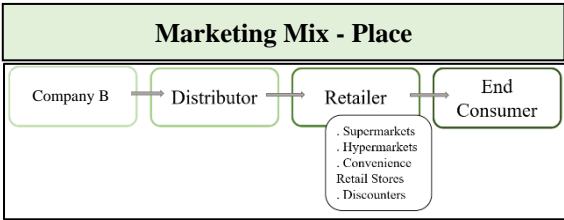


Figure 34 - Marketing Mix - Place

the display of the products. Not only the promotion features but also the placement can attract the target consumer. For example, a freestanding display of B’s ready-to-eat products with the company’s logo and vision statement can attract consumers if it promotes the easiness of having a healthy meal at home (Figure 35).

Additionally, B can negotiate banner stands and shelf talkers to catch consumers’ attention and discuss the product’s location (Figure 35). If the product is close to the eye



Figure 35 - Supermarket Display Example

level of the consumer, it is more likely that the consumer will notice it (Figure 35). Lastly, B

should not sell directly to the French end-consumer through its web shop due to high costs and insufficient coverage.

8. Financial Forecast

8.1 Assumptions

Given the project's aim to evaluate the feasibility of international expansion, the financial forecast will cover the relevant cost and revenue, meaning the scope of the following paragraphs will be only on the expansion for France. As the company is already at capacity, a **loan** is required to expand it, and it is assumed that the company can obtain it. Although B would use the loan to purchase a new plant, which can cover both the Portuguese and the additional demand, only the loan used to finance the relevant CAPEX of the project is considered. The loan is assumed to be obtained at the end of 2022, while the new facility will be purchased at the beginning of 2023. While B continues to operate on the previous facility, the new facility is being set up and furnished with new assets. The set-up time is assumed to be one year, so production can successfully start at the beginning of 2024. The already-owned assets will be moved to the new facility at the end of 2023 without stopping production. Due to the export strategy of B, we considered the Cost of Capital based on data from Portugal, as the headquarters and production remain in Portugal.

8.2 Market Size and Market Share Estimation

Following what was obtained in paragraph 5.1.1.3, the SAM of B in France in 2022 would be 484.5M€, divided by an estimated number of 1,618 companies, leading to a 2022 SOM of 299,451€. In 2024 the SAM of B is projected to be 489.8M€ (Appendix 32). Within the scenario, the revenue in 2024 of B is assumed to be equal to the **median revenue** obtained in 2021 by companies which have been incorporated in 2020 and operating within the classifications NACE Rev. 2 107: "Manufacture of bakery and farinaceous products" and 1089: "Manufacture of other food products nec". The median of the selected companies is **337,990€**,

corresponding to a market share of 0.07% of the SAM in 2024 (Appendix 32).

8.3 Operational Plan

8.3.1 Revenue Estimation

As no specific data was available about the current product mix sold by the company, the estimations are made based on the revenue rather than on quantities. To achieve the expected revenue, it is fundamental for the company to **increase brand awareness**, for example, by participating in food fairs. Furthermore, starting from the second half of 2023, B will need to hire a sales representative to establish connections with the leading grocery retailers across France, such as Carrefour. Following the **median growth rate** achieved by French companies in the second year of operations, which is once again classified in NACE Rev. 2 107 and 1089, the revenues are estimated to increase by 46.11% in 2025 (Appendix 33). For the following years, the growth rate is assumed to be the same as the 5-years CAGR B achieved in Portugal of 12.97%. In FY 2028, revenue is estimated at 712k€, corresponding to 62% of the current revenue B is experiencing. The high value is sustained by the higher expenditure on food per capita in France (Passport Euromonitor International (i) 2022).

8.3.2 Cost Estimation

The **COGS** is estimated as % over the revenue, based on the company margin in the past. From 2017 to 2021, the average COGS as % over the revenue was 41%, which is assumed to be valid also for FY 2024. Starting in 2025, the COGS will be reduced against the original 41% by 1% in 2025, 2% in 2026 and 2.5% in the last two years. It is estimated to decrease as inflation (International Monetary Fund (b) 2022) and commodities prices (The World Bank (a) 2022) are expected to decrease starting in 2023. Furthermore, only the most profitable products will be sold in France, increasing margins. Given the increase in production, an increase in bargaining power against the suppliers is expected.

A thorough analysis of Company B's past external service costs from 2017 until 2021 was

performed for the **external services**. Changes in costs in all categories were compared to changes in revenue with a focus on identifying cost positions correlated to revenue. The costs were then mainly calculated based on past cost ratios/margins compared to revenue (averages of the past five years). Significant outliers for a specific year were excluded to avoid distorting results. Assuming that the cost structure for B stays similar when expanding to France, the ratios were then multiplied by the estimated revenue for the expansion. Overall, the cost ratios for maintenance (3.2%), specialized jobs (2.15%, excluding one outlier), fast wear materials (1.25%), cleaning (0.98%), and insurance (1.78%) were calculated based on past values. Considering the ongoing surge in energy prices, it was assumed that costs for energy and water would stay higher in the coming years and calculated a higher cost ratio of 6% compared to 4.9% in 2021. The cost of office supplies was assumed to be 1,000€ annually due to expected synergies with the current offices. Travel costs, mainly for the sales representative, were assumed to be 10,000€ annually to account for client visits. Other costs, including communication, security, and others were estimated to be about 1% of the future revenue.

For the **freight costs**, LogiFrio has a tariff of 298€/Euro pallet/Drop if B ships more than 2 Euro pallets together (Nunes 2022).

Moreover, for the financial projections of the number of shipments needed to fulfil B’s necessities, the yearly estimated revenue is divided by 5€/kg, assumed as the average price/kg at which B sells the product mix to the retailer, obtaining the estimated kg of products. Each Euro pallet can support up to 1.5 tons (Mecalux n.d.), but given the reduced weight of the products sold, each Euro pallet will load 650kg.

Number of Shipments and Freight Costs					
	2024	2025	2026	2027	2028
Estimated Revenue €	337,990	493,842	557,907	630,284	712,051
Estimated Quantity Sold 5€/kg (kg)	67,598	98,768	111,581	126,057	142,410
# Shipping per year of 2 Pellets	52	76	86	97	110
Total Freight Costs €	30,992	45,296	51,256	57,812	65,560

Figure 36 shows the number of shipments and the overall yearly costs. For the **marketing expenses**, in 2023, before starting operations, B will attend one food fair to get into contact with potential customers in France

and to sign the first contracts with supermarkets. A booth at the fair costs approximately 2,600€. Overall, 4,000€ will be spent in 2023 for marketing purposes. In 2024, B will attend two food fairs to attract new clients. Moreover, food stands will be set up in selected supermarkets for customers to try *Pão de Queijo*, increasing sales, especially for non-Brazilian customers. Costs for 2024 are expected to be 8,000€. In the following years, marketing expenses will be lowered to 3,000€ per year to attend one fair a year and pay additional costs such as store displays.

For estimations of **personnel cost**, the number of employees needed each year and the expected salary by function were considered. Figure 37 shows the planned increase in employees.

Starting in the second half of 2023, a sales representative will be hired to seek contact

Employee Numbers and Costs 2023 - 2028						
Role (yearly salary)	2023	2024	2025	2026	2027	2028
Production Assistant (12k€/y)	0	2	3	3	4	4
Production Team Lead (20k€/y)	0	0	1	1	1	1
Sales Representative (16k€/y)	0.5	1	1	1	1	1
Administrative (15k€/y)	0	0	1	1	1	1
Expedition Assistant (12k€/y)	0	1	1	2	2	2
Cost (€)	8,000	52,627	98,983	115,651	120,925	126,882

Figure 37 - Number of Employees and Costs

with supermarkets and to secure contracts starting from 2024, when the additional production capacity is established. Consequently, to start production in 2024, two production assistants and one expedition assistant will be hired to produce the expected number of products. To estimate the number of production assistants needed, B’s past revenues were compared to the past number of production assistants, suggesting that a yearly revenue per production assistant of 165k€ is realistic.

8.3.3 P&L Statement

Based on the previously computed costs and revenue estimations, the following financial forecast (P&L) was produced (Figure 38) (Appendix 34).

P&L Statement 2023 - 2028						
Year	2023	2024	2025	2026	2027	2028
Sales and Services (€)	-	337,990	493,842	557,907	630,284	712,051
COGS (€)	-	138,661	197,662	217,725	242,819	274,320
Gross Profit (€)	-	199,328	296,180	340,182	387,465	437,731
External Services (€)	15,000	66,452	92,022	102,533	114,407	127,822
Freight Cost (€)	-	30,992	45,296	51,256	57,812	65,560
Marketing (€)	4,000	8,000	3,000	3,000	3,000	3,000
Personnel cost (€)	8,000	52,627	98,983	115,651	120,925	126,882
EBITDA (€)	(27,000)	41,257	56,879	67,743	91,322	114,466
D&A (€)	13,731	13,731	13,731	14,981	14,981	14,981
EBIT (€)	(40,731)	27,526	43,148	52,762	76,341	99,486
Interest Expenses (€)	15,635	15,635	15,635	15,635	15,521	14,379
EBT (€)	(56,365)	11,892	27,514	37,127	60,819	85,106
Taxes (€)	-	606	4,250	6,797	11,772	16,872
Net Income (€)	(56,365)	11,285	23,264	30,330	49,047	68,234

Figure 38 - P&L Statement

Net income in 2023 was substantially negative due to the lack of revenue while simultaneously incurring costs for moving to the new facility, salary for the sales representative and additional costs. In order to calculate the taxes for every year, given the SME status of B, the first 25k€ of taxable income are taxed at a reduced rate of 17% while the rest at 21% (PWC (f) 2022). Furthermore, the negative Net Income led to a tax loss carried forward of 10,837€ for the subsequent years (Appendix 35). In the first year of operations (2024), an EBITDA of 41.3k€ and a net income of 11.3k€ was achieved. EBITDA improves significantly over the period and reaches 114.5k€ at the end of 2028. Net income reached 68.231k€ in 2028. The CAGR of net income is 21% from 2024 until 2028.

8.3.4 Operational Risk Analysis

As both Portugal and France are within the EU, the **operational risks** are **limited**. However, Company B is heavily dependent on commodity prices, which have lately fluctuated. Raw materials account for most of the COGS; as a result, variations in these will have a relevant impact on the project's financials. Unfortunately, B will hardly be able to edge against them, but it could reduce the dependence on some, for example, electricity, by installing solar panels and ensuring general best practices. Secondly, as the entry strategy is indirect exporting, freight costs are another relevant factor impacting profitability. To partially shield itself from these, B

could sign long-term binding contracts with LogiFrio to ensure better conditions. Finally, the retailers are the most critical aspect of internationalisation: if B cannot establish shelf space, it will not gain access to the market. Therefore, B could incentivize retailers by decreasing the price at the expense of revenue.

8.4 Investment Plan

8.4.1 Capital Expenditure

B first needs to purchase a new facility to increase its **production capacity**. Following the company's preferences, the new plant will be located in Sintra (M (a) 2022). The company production site is 310m², divided between cold storage and production (Ibid.). For future expansion, estimating the required square meter for the French demand is necessary. The estimated revenue in 2028 is multiplied by 2021's ratio between the current square meter of the plant and revenue, which resulted in an additional 191m² needed. The price per m² is assumed to be 1,100€, considering both the renovation costs and the increased cost of the refrigerated space. The cost of the additional space is 210,617€, and it will be purchased at the beginning of 2023. Additionally, a new oven is purchased at 7,000€ (e.g. gmgastro n.d.), and 25,000€ are spent on mixers and other equipment. Based on the planned revenue, an additional oven will be purchased in 2026 for 7,500€, and additional 5,000€ are planned to be spent on new machines.

8.4.2 Investment in Net Working Capital (NWC)

To operate, the company needs to invest in Net working Capital (henceforth NWC). Historically B has a five years average collection period of 154 and a credit period of 28 days, the average days in inventory was calculated at 34 days (Appendix 36). For France, the **collection period** was reduced to 90 days as the average for SMEs was 43.2 days in 2019 (Banque de France (b) 2019), and B will be able to establish close relations with the retailers, improving the general terms. The **credit period** has been set to 30 days, and the average days in inventory have been reduced to 25 days as the shipments to supermarkets will happen more regularly. At the

beginning of 2024, B will need to invest 82,572€ (Figure 39) to build up the inventory and cover the costs. While revenue increases every sequential year, B needs to invest yearly. As the project’s scope is until the end of 2028, the inventory is assumed to be sold at the original value to B Portugal at the end of the year, reducing. The remaining **account payables** and **account receivables** are only paid and received in the first part of 2029 (Figure 39).

Estimated Net Working Capital 2024-2029						
Year	2024	2025	2026	2027	2028	2029
Account Receivables (€)	84,497	123,460	139,477	157,571	178,013	
Average Inventory (€)	9,629	13,727	15,120	16,862	19,050	
Account Payables (€)	11,555	16,472	18,144	20,235	22,860	
Working Capital (€)	82,572	120,715	136,453	154,199	174,203	
Δ Working Capital (€)	(82,572)	(38,144)	(15,738)	(17,746)	(954)	155,153

Figure 39 - Net Working Capital

8.4.3 Salvage Value

Considering the maximum **depreciation** rate of the assets in Portugal (PWC (a) 2019), the production facility, considered an industrial building, is depreciated by 5% yearly using the straight-line method, while the remaining CAPEX is depreciated at 10%. As the first assets are purchased at the beginning of 2023, they will start depreciating in the same FY. In 2028, the book value of the plant is 147,432€ (Appendix 37), and of the machines and the equipment is 21,550€. In 2028, the plant is expected to be sold at the purchase price of 210k€, considering both the usage and deteriorated condition and rising real estate prices (at least inflation-adjusted). These circumstances will lead to a **pretax profit** of 63.2k€ and a tax expense of 13.3k€, which was considered in the cash flow. The salvage value for the machines was considered 21.6k€, equal to the book value.

8.5 Financing Plan

In this section, the financing needs of Company B will be estimated considering the planned investments in machinery, the new facility, as well as starting costs and initial investments in working capital. CAPEX expenditures amount to about 243k€, and additional expenses of around 45.3k€ are considered due to moving costs, salary for the sales representative, interest expenses and applying a safety margin of 10% for unexpected expenses. Further, in 2024 substantial investments in working capital must be considered for the initial loan. Due to an

initial buildup of inventory and the delay in customer payments, an additional 82.6k€ must be considered for the loan. Overall, a **loan** of **370,489€** should be taken to finance the project (Appendix 38). The interest rate for new loans smaller than 1M€ in Portugal was 2.76% in July 2022 (Banco de Portugal 2022). Considering that interest rates rose significantly from July 2022 due to the overall interest environment and the continued fight of central banks against inflation, it is assumed that the current interest rates for B are meaningfully higher than in July. In order to calculate the change in interest rates since July, it was assumed that the change in 2-year Portuguese government bonds would translate into a similar interest rate increase in corporate loans. While the yield was 0.85% at the beginning of July, it rose to 2.31% as of November 16th, increasing by 1.46% (Tradingeconomics (a) 2022). Adding that increase to loans smaller than €1M€ leads to an approximate **interest rate** of **4.22%** for a new loan. Based on the interest rate, the **interest expense** will amount to about **15,635€** per year (Appendix 39). Considering that the free cash flow will be used to pay back part of the loan, the interest expense will be 15,521€ with a remaining loan of 340,740€ in 2027 and 14,379€ with a remaining loan of 287,053€ in 2028 (Appendix 40).

8.6 Financial Viability

8.6.1 Profitability Ratios

Please refer to Figure 40 as a reference for this paragraph. The **EBITDA margin** in 2024 is expected to be 12.2%, while the net income margin reaches 3.3%. Both margins are improving throughout the project, with the EBITDA margin reaching 16.1% and the net income margin reaching 9.6% in

Profitability Ratios					
	2024	2025	2026	2027	2028
EBITDA Margin (%)	12.2	11.5	12.1	14.5	16.1
Net Income Margin (%)	3.3	4.7	5.4	7.8	9.6
ROA (%)	3.6	6.9	8.9	14.2	19.3

Figure 40 - Profitability Ratios

2028. As a result, the **ROA** improved from 3.7% in 2024 to 19.3% in 2028. The ROA was based on the assets of this project, which include current assets such as receivables and inventory, as well as non-current assets such as the machinery and warehouse and its book value

each year.

8.6.2 Net Present Value NPV

The project's Net Present Value (short NPV) was estimated to conduct the viability of the expansion. The NPV considers cash inflows and outflows over the project period and discounts them appropriately (Investopedia 2022). A project with an NPV bigger than 0 shows that the project's return exceeds the cost of capital and should thus be executed. In order to estimate the NPV, the project's **Free Cash Flow** (short FCF) was discounted with the Weighted Average Cost of Capital (WACC) for Company B (Appendix 41). First, the cost of equity for B was computed. An unlevered Beta for the food processing industry estimated by Aswath Damodaran was used as a proxy for B's actual Beta (Damodaran (b) 2022). The **unlevered Beta of 0.61** was then levered based on B's current D/E ratio of 1.52 and considering the Portuguese corporate tax rate of 21%, resulting in a **levered Beta of 1.34** for B (PWC (c) 2022). As B's operations and headquarters remain in Portugal, the 10-year Portuguese government bonds were considered the best estimate for the risk-free rate. The bond's current yield is 3.2% as of November 15 (Tradingeconomics (a) 2022). The market risk premium of Portugal was 6.12% as of January 2022, according to data by Aswath Damodaran (Damodaran (c) 2022). B's **Cost of Equity** (levered) was then computed as 11.4%. After that, the **Cost of Debt** was calculated for the most recent year (2021), dividing the interest paid by the total amount of interest-bearing financial debt of B, resulting in an effective interest rate of 2.13%. Subsequently, considering Bs Capital Structure of 2021 and the corporate tax rate, a **WACC of 5.53%** was computed. The **FCF** was calculated based on the net income (Figure 41). Then, the depreciation was added to receive the operating cash flow, and the change in working capital was subtracted. Further, the capital expenditures were considered to reach the FCF finally.

Free Cash Flow 2023 - 2029							
Year	2023	2024	2025	2026	2027	2028	2029
Net Income (€)	(56,365)	11,285	23,264	30,330	49,047	68,234	
Depreciation (€)	13,731	13,731	13,731	14,981	14,981	14,981	-
ΔWorking Capital (€)	-	(82,572)	(38,144)	(15,738)	(17,746)	(954)	155,153
Operating CF (€)	(42,635)	(57,555)	(1,149)	29,574	46,282	82,261	155,153
Capex (€)	(242,617)	-	-	(12,500)	-	218,898	-
Facility (€)	(210,617)	-	-	-	-	210,617	-
Taxes on Sale (€)	-	-	-	-	-	(13,269)	-
New Machines (€)	(32,000)	-	-	(12,500)	-	21,550	-
FCF (€)	(285,252)	(57,555)	(1,149)	17,074	46,282	301,159	155,153

Figure 41 - Free Cash Flow

It was assumed that B would stop operations in 2028, with the machines and warehouse to be divested at the end of 2028. Therefore, the Inventory was assumed to be sold off in 2028, while receivables will only be paid in 2029 after three months (as days sales outstanding is 90 days). After **discounting the FCFs** of every year with the WACC, an **NPV of 58,125€** was achieved, suggesting that the project should be pursued. The FCF for 2029 was accordingly discounted for three more months as it considers the receivables that will be paid from B's customers.

8.6.3 IRR and Payback Period

The **project's Internal Rate of Return (IRR)** considering FCF, is **9.09%**, showing that the expansion is worth pursuing and offers sizeable returns. For the **payback period**, it was assumed that the company would remain operating after 2028 and that no divestitures in 2028 would be conducted. Further, it was assumed that the cash flows after 2028 would be constant and no changes in working capital would happen. Under these assumptions, it takes until 2031 for B to pay back its initial investments from 2023, thus having a **payback period of 8 years**.

8.7 Sensitivity and Scenario Analysis

To scenario-proof the validity of the project, a sensitivity analysis was conducted (Figure 42), considering variations in a set of variables and evaluating their impact on the NPV.

The first sensitivity analysis studied possible variations in the revenue and COGS. For the first, a difference in the first-year Revenue was considered, maintaining the same yearly growth rates for the following periods. A change in the revenue implies a change in the price of the

products or quantities sold. COGS can be affected by the capability to benefit from economies of scale and external events affecting the prices of commodities. From the analysis presented below, it is visible that both variables significantly impact the NPV of the project. The average payment and collection periods were used for the **second sensitivity analysis**. As the payment period increases and the collection period decreases, the NPV of the project increases considerably and vice versa, which shows the high importance of these two factors. **Thirdly**, differences in the cost of equity and cost of debt were also analyzed. Both variables negatively correlate with the NPV, which increases if both rates decrease.

		Change in Revenue and COGS on NPV (€)				
		Annual Variation in COGS (%)				
		0.50%	-0.25%	-1.00%	-1.75%	-2.50%
2024 Revenue (€)	304,191 €	(48,692.15 €)	(26,551.88 €)	(4,723.36 €)	17,105.15 €	38,670.11 €
	321,090 €	(19,434.39 €)	3,587.12 €	26,537.88 €	49,288.79 €	72,039.70 €
	337,990 €	10,071.35 €	34,176.60 €	58,124.87 €	81,940.16 €	105,755.45 €
	354,889 €	38,449.63 €	63,455.68 €	88,461.73 €	113,467.78 €	138,473.83 €
	371,789 €	66,908.72 €	93,105.53 €	119,302.35 €	145,499.16 €	171,695.98 €

		Average Payment and Collection Periods on NPV (€)				
		Average Collection period (days)				
		100	95	90	85	80
Average Payment Period (days)	20	54,299.71 €	55,671.44 €	57,043.16 €	58,414.89 €	59,786.62 €
	25	54,840.56 €	56,212.29 €	57,584.02 €	58,955.75 €	60,327.48 €
	30	55,381.42 €	56,753.15 €	58,124.87 €	59,496.60 €	60,868.33 €
	35	55,922.27 €	57,294.00 €	58,665.73 €	60,037.46 €	61,409.19 €
	40	56,463.13 €	57,834.86 €	59,206.58 €	60,578.31 €	61,950.04 €

		Cost of equity and Cost of capital on NPV (€)				
		Cost of Debt (%)				
		3.13%	2.63%	2.13%	1.63%	1.13%
Cost of Equity (%)	13.36%	36,048.80 €	40,064.12 €	44,134.34 €	48,260.32 €	52,442.95 €
	12.36%	42,778.77 €	46,886.17 €	51,049.92 €	55,270.92 €	59,550.08 €
	11.36%	49,663.18 €	53,865.10 €	58,124.87 €	62,443.44 €	66,821.72 €
	10.36%	56,706.13 €	61,005.10 €	65,363.47 €	69,782.21 €	74,262.28 €
	9.36%	63,911.86 €	68,310.48 €	72,770.11 €	77,291.73 €	81,876.33 €

Figure 42 - Sensitivity Analysis on NPV of the Project

Moreover, the possibilities of two scenarios besides the basis case were analyzed (Figure 43). For the study, pessimistic and optimistic scenarios were created, each considering different values for the revenue, COGS, average payment and collection periods, and freight costs. The **pessimistic scenario** implies lower revenue, higher COGS, higher freight costs, and more disadvantageous collection and payment periods. In addition, this scenario could result from continuing geoeconomic instability as a consequence of the war in Ukraine or other conflicts that can initiate, which would generate increases in commodities prices, leading to higher COGS, the economic crisis resulting in lower consumption and lower revenue, as well as even

higher freight costs due to the rise of fossil fuel prices and its impact in transportation.

The **optimistic scenario** implies a situation of political and economic stability. In this scenario, B enters the French market in a time of recovery and rising prosperity, with strong economic growth. In these conditions, B could achieve higher sales and better benefit from economies of scale and the higher production efficiency of the products to be internationalized, achieving a more significant decrease in the COGS. Furthermore, in a scenario of international stability, freight costs are also expected to be lower.

Possible Scenarios			
	Recession	Base	Optimistic
Revenue in 2024 (€)	304,191	337,990	371,789
COGS Annual Variation (%)	0.5%	-1.0%	-1.8%
Payment Period (days)	25	30	35
Collection Period (days)	95	90	85
Freight Costs (€)	313	298	283
NPV (€)	-58,320	58,125	156,809
Weights Scenarios (%)	40%	50%	10%
Weighted NPV (€)	21,416		

Figure 43 - Possible Scenarios

To future proof the project, a probability had been assigned to every scenario (see Figure 43). Based on the current situation, given the increased overall

economic uncertainty to the optimistic scenario a 10% probability had been assigned (Ahir, Bloom and Furceri 2022), 50% probability had been assigned to the base scenario, deemed to be the most likely give the available and finally, a 40% probability had been given to the recession scenario, also strictly following the current geopolitical scenario (European Commission (i) 2022). Overall, the weighted NPV is **21,416€**, which confirms how, despite possible complications, the project has solid financial basis and should therefore be pursued.

9. Overall Conclusions and Recommendations

To conclude, the gathered information, insights, and analysis presented in this project’s limitations need to be highlighted, given the financial and resources restriction established throughout this project. However, the bakery industry and the interest in foreign and international food specialities have grown in recent years throughout Europe and will grow further. Moreover, the trends in the industry, such as gluten-free products, establish a considerable opportunity Company B should aim at. The expertise and values which B stands for constitute a significant advantage that they should build and leverage more in the future,

especially their customer service and CSR. Specifically, with consumers increasing awareness and the importance of sustainability and equality, B has the correct values and integrity they need to communicate to their customers and the end consumers. Furthermore, growing the business in Portugal and striving away from the HORECA sector towards more prominent players will help B build an excellent network for a smooth entrance into other European countries, such as France.

With all its limits, the financial projections of the project present B with an opportunity that could allow the company to expand even further. Future solid revenue results in a positive NPV which B's management should ponder. Nevertheless, the investment brings substantial risks, as shown by the sensitivity analysis. Furthermore, the positive returns of the project are strictly dependent on multiple factors, some of which are entirely out of the control of the company, and a longer-than-expected recession period could nullify any positive NPV that was estimated. All in all, the team would advise B's management level to focus on the following three strategies for the upcoming successful future. Firstly, building a solid network with Portuguese international supermarkets would be advisable, making upscaling into other European countries more accessible. Secondly, slimming down the product portfolio to the most profitable products would increase the company's bottom line. Finally, establishing the brand name B through targeted marketing activities is crucial to successfully succeed internationally against other products that might offer similar characteristics.

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11. Appendices

Appendix 1: Company B's Product List was deleted due to confidential information

Appendix 2: List of Companies and Relevant Financial Data Used for Clustering

List of Companies and Relevant Financial Data Used for Clustering					
Company name	Number of employees	Operating revenue k€	EBITDA margin (%)	Profit margin (%)	Cluster
CONFEITARIA E PADARIA CAN J.M.V. - PASTELARIAS, LDA	50	1,481	3.7	0.8	1
PIRES, COSTA & RODRIGUES, BREAD DIVINE TWISTERS, LD	32	1,467	4.2	2.0	1
PEREIRA & FILHAS, LDA	38	1,460	1.9	0.1	1
ROSAS & CUNHA, LDA	42	1,396	3.4	0.7	1
O PAO DA MANUELA, UNIPESS	33	1,318	3.2	1.2	1
EUROFUNGHI - COMERCIALIZA	40	1,197	3.6	-2.8	1
VIENOL - PRODUTOS ENOLOGI	15	909	28.5	21.3	2
BIOCOL COMERCIAL, S.A.	4	997	8.9	6.1	2
BIOGAL - BIOLOGIA DE PORT	4	1,211	26.0	21.1	2
PAIVADOCE - FABRICO E COM	9	972	25.4	22.1	2
FOPELDA, S.A.	11	1,072	13.4	12.7	2
PANIFICADORES REUNIDOS DE	16	914	22.5	17.6	2
PANIFICADORA DO AREEIRO,	37	1,355	-25.0	-36.1	3
EMPRESA IDEAL DE PANIFICA	47	1,220	-5.8	-7.8	3
COMPANY B	45	1,075	-14.3	-18.8	3
DIAS & PEREIRA DOS SANTOS	39	1,168	-8.4	-17.8	3
PAO DE LO TI'PIEIDADE - PA					4
INDUSTRIA DE PANIFICACAO	26	1,453	10.7	6.1	4
PASTELARIA CONFEITARIA MO	26	1,412	12.5	5.3	4
IRMAOS JORGE, LDA	28	1,364	7.7	3.2	4
VITOR ESTEVES, UNIPESSOAL	27	1,318	6.0	0.3	4
PANCRISP - INDUSTRIA DE P	24	1,311	10.0	3.4	4
DESTAKDOCE, UNIPESSOAL, L	33	1,308	10.5	-2.0	4
PAUPERIO - DISTRIBUICAO,	29	1,293	8.6	-5.4	4
A ROTA DOS DOCES - INDUST	31	1,290	3.6	-0.5	4
BUFFET VARZIELA - PADARIA	26	1,271	16.9	1.5	4
CONFEITARIA VALE, LDA	18	1,263	7.0	4.1	4
PRAZERES DA TERRA - PRODU	34	1,239	9.4	2.8	4
FLOR DO VALE - PASTELARIA	21	1,233	12.7	9.4	4
PADARIA IRMAOS LINCHO, LD	23	1,215	8.6	4.9	4
O MUNDO DAS SOBREMESAS -	20	1,207	9.4	2.2	4
DOUROPAO - AGRUPAMENTO DE	25	1,172	6.7	1.8	4
SEGREDOS DO SABER PANIFIC	20	1,168	4.4	0.8	4
PASTELARIA DOCE PIMENTINH	37	1,167	8.7	1.6	4
FABRICA DE PASTELARIA E C	22	1,162	5.3	2.3	4
	25	1,128	2.0	-1.8	4
	20	1,119	3.7	1.1	4

DAVID & MARIANA - PASTELA	16	1,113	13.0	9.1	4
JOSE PIRES & RODRIGUES, L	23	1,048	12.1	6.6	4
JORMARDOCE, LDA	22	1,032	13.2	6.2	4
PETALAMEL, UNIPESSOAL, LD	19	1,080	13.1	9.8	4
CEREPAL - PRODUTOS ALIMEN	28	1,093	-1.1	-3.7	5
UNIAO PANIFICADORA ABRANT	43	1,092	7.0	5.7	5
CORREIA & IRMAOS, LDA	38	1,057	7.1	0.2	5
EMPRESA PANIFICADORA PORT	42	1,053	2.2	0.7	5
PANLAR - INDUSTRIA DE PAN	24	1,042	2.4	0.8	5
ESPIGAS DE ODIVELAS, LDA	30	1,031	-2.5	-4.5	5
APER 2000 - SOCIEDADE DE	26	1,022	-3.6	-6.6	5
SOARES VIEIRA & CA., LDA	30	1,022	7.8	0.3	5
ANTONIO SOARES GOMES, UNI	36	1,010	-1.0	-5.7	5
PADARIA SILVESTRE LOURENC	33	1,009	1.2	-4.5	5
RODRIGUES & VIEIRA, LDA	29	1,001	11.2	0.9	5
SILAFRUTOS - SOCIEDADE IN	31	985	2.2	0.7	5
PANIFICACAO DE ODIVELAS,	26	983	0.8	-4.0	5
MIRADOR & GARCIA, LDA	31	978	-3.4	-10.7	5
CONFEITARIA ELVINA, LDA	28	958	5.5	0.8	5
PADARIA MIRATEJO, LDA	33	956	0.7	0.1	5
CONFEITARIA PERDIGAO, LDA	25	954	7.7	5.7	5
ARMANDO AUGUSTO VENCESLAU	22	939	-8.3	-11.9	5
JOSE LOPES MOREIRA & CA.,	26	938	8.2	4.5	5
MANO & RAMOS, LDA	36	935	-3.6	-8.0	5
BENTO SENA GORJAO - UNIPE	21	928	10.8	2.0	5
LOULEDOCE - FABRICA DE PA	27	926	7.4	3.9	5
OVIDIO & LUISA, LDA	36	917	-0.9	-6.2	5
UNIAO CENTRAL DOS INDUSTR	28	912	2.5	0.3	5
DELIA MARTINS, UNIPESSOAL	25	911	3.6	0.1	5
PADARIA FERNANDES & FERNA	34	904	-1.9	-7.5	5

Appendix 3: Baked Goods Producers Revenue Market Share and HHI in Portugal

Baked Goods Producers Market Share by Revenue and HHI		
Baked Good Producer	Market Share by Revenue (2021)	Squared Market share
Panrico - Produtos Alimentares Lda	4.4%	19.36
Sonae Modelo Continente	4.3%	18.49
Hipermercados SA	3.7%	13.69
Bimbo Lda	3.1%	9.61
Pingo Doce - Distribuição Alimentar SA	2.2%	4.84
Dan Cake SA	1.4%	1.96
Auchan Hipermercados Portugal SA	1.0%	1.00
Lidl & Cia	0.7%	0.49
Mondelez Portugal, Unipessoal Lda	0.4%	0.16
Dietimport SA	0.4%	0.16
Condi Alimentar SA		
	Market Share top 10: 21.6%	HHI top 10: 69.8
Matutano SA - Sociedade de Produtos Alimentares	0.3%	0.09
Unilever Fima Lda	0.3%	0.09
Artisanal	67.1%	
Other Private Label	2.2%	
Others	8.5%	
	HHI:	69.94
*the HHI is computed over the market share of the first 13 companies as after "Unilever Fiima LDA" the impact on the HHI is insignificant		
Source: Passport		

Appendix 4: Project CSR Company B



Appendix 5: Company B Porter's Generic

		Porter's Generic	
		Competitive Advantage	
Scope		Low cost	Differentiation
	Broad	Cost leadership	Differentiation
Narrow	Cost Focus	Differentiation Focus	

Appendix 6: Total Countries of Country Selection Criteria

Total Countries of Country Selection Criteria					
Afghanistan	Central African Republic	Ghana	Lesotho	Norway	St. Kitts and Nevis
Albania	Chad	Greece	Liberia	Oman	St. Vincent and the Grenadines
Algeria	Chile	Grenada	Libya	Pakistan	Sudan
Andorra	China	Guatemala	Liechtenstein	Palau	Suriname
Angola	Colombia	Guinea	Lithuania	Panama	Sweden
Argentina	Comoros	Guinea-Bissau	Luxembourg	Papua New Guinea	Switzerland
Armenia	Congo, Dem. Rep.	Guyana	Macao SAR, China	Paraguay	Syrian Arab Republic
Australia	Congo, Rep.	Haiti	Madagascar	Peru	Tajikistan
Austria	Costa Rica	Honduras	Malawi	Philippines	Tanzania
Azerbaijan	Cote d'Ivoire	Hong Kong SAR, China	Malaysia	Poland	Thailand
Bahamas	Croatia	Hungary	Maldives	Portugal	Timor-Leste
Bahrain	Cyprus	Iceland	Mali	Puerto Rico	Togo
Bangladesh	Czech Republic	India	Malta	Qatar	Tonga
Barbados	Denmark	Indonesia	Marshall Islands	Romania	Trinidad and Tobago
Belarus	Djibouti	Iran	Mauritania	Russian Federation	Tunisia
Belgium	Dominica	Iraq	Mauritius	Rwanda	Turkey
Belize	Dominican Republic	Ireland	Mexico	Saint Lucia	Turkmenistan
Benin	Ecuador	Israel	Moldova	Samoa	Turks and Caicos Islands
Bhutan	Egypt	Italy	Mongolia	Sao Tome and Principe	Tuvalu
Bolivia	El Salvador	Jamaica	Montenegro	Saudi Arabia	Uganda
Bosnia and Herzegovina	Equatorial Guinea	Japan	Morocco	Senegal	Ukraine
Botswana	Estonia	Jordan	Mozambique	Serbia	United Arab Emirates
Brazil	Eswatini	Kazakhstan	Myanmar	Seychelles	United Kingdom

British Virgin Islands	Ethiopia	Kenya	Namibia	Sierra Leone	United States
Brunei	Fiji	Korea, Dem. People's Rep.	Nauru	Singapore	Uruguay
Bulgaria	Finland	Korea, Rep.	Nepal	Slovak Republic	Uzbekistan
Burkina Faso	France	Kosovo	Netherlands	Slovenia	Vanuatu
Burundi	French Polynesia	Kuwait	New Zealand	Solomon Islands	Venezuela
Cabo Verde	Gabon	Kyrgyzstan	Nicaragua	Somalia	Vietnam
Cambodia	Gambia	Lao PDR	Niger	South Africa	Virgin Islands (U.S.)
Cameroon	Georgia	Latvia	Nigeria	Spain	Yemen
Canada	Germany	Lebanon	North Macedonia	Sri Lanka	Zambia
					Zimbabwe

Appendix 7: Country Selection Criteria: Variables' Description and Justification

Country Selection Criteria: Variables' Description and Justification		
	Variables	Justification
Market Size	Population Total (total) 2021 <u>WorldBank</u>	Includes all residents in any case of legal status or citizenship. The values are estimations of data in the middle of the year. This indicator serves as a proxy for the potential customer base.
	Urban Population (% of the population) 2021 <u>WorldBank</u>	As defined by national statistical offices, this statistic refers to the inhabitants of urban areas. United Nations Population Division collects and smoothes the data. Other than being a good indicator of the development of a nation, urban population is useful also for the customers as the company aims supermarkets which are mainly presents in residential urban areas.
	GDP Total (current US \$) 2021 <u>WorldBank</u>	Addition of the gross amount combined by all resident producers with any product taxes and less subsidies not incorporated in the merchandise's worth. Doesn't account depreciation nor deprivation of raw materials. In the states where the formal exchange rate does not correspond to the rate actually applied, other conversion factor is utilized. It represents the national economy's output, and can be used to compare countries, nevertheless it is partially biased by the population.
Market Growth Rates	Population Growth (annual %) 2021 <u>Internal Computations based on WorldBank data</u>	Represents the yearly changes in total inhabitants. Increases in human population can influence natural resources and social infrastructure.
	GDP Annual Growth (annual %) 2021 <u>WorldBank</u>	This indicator is based on constant local currency. GDP is the amount of gross value added by all local manufacturers combined with product taxes, without subsidies not incorporated in the merchandise's worth. On one hand, GDP is increasing, the economy is in strong structure, and the nation is pushing ahead. On the other hand, if GDP is dropping, the economy may possibly be in danger.
	GDP CAGR 5 year (%) 2017-2021 <u>Internal Computations</u>	Addition of the gross amount combined by all local manufacturers with any product taxes and less subsidies not incorporated in the merchandise's worth. Doesn't account depreciation nor deprivation of raw materials. Centered in continuous local currency, GDP is calculated. While, GDP is increasing, the economy is in strong

	<u>based on WorldBank data</u>	structure, and the nation is pushing ahead. Contradictorily, when GDP is dropping, the economy may possibly be in danger.
	Food Expenditure per Capita 5 year CAGR (%) 2017-2021 <u>Euromonitor</u>	Indicates the annual growth rate in 5 years of expenditure in food per person. If this percentage is high, it indicates that this market can be good to develop a food company.
Market Intensity	GDP per Capita (<i>current US \$</i>) 2021 <u>WorldBank</u>	GDP per capita is the GDP divided by population. GDP per capita measures economic growth.
	Households and NPISHs Final consumption expenditure per capita (<i>constant 2015 US\$</i>) 2015 – 2021 <u>Worldbank</u>	Measured with private consumption in 2015 prices and World Bank population approximates. It represents the market value of all products, excluding houses but including ascribed rent for owner-occupied houses. Moreover including payments and fees to governments for permits and licenses and non-profit institutions serving households. This is an indicator of economic growth.
Market Receptivity	Imports of Goods and Services (<i>% of GDP</i>) 2021 <u>WorldBank</u>	The value of all products obtained from the world
	Total Food Imports (<i>US\$ Thousand</i>) 2020 <u>WITS</u>	Indicates the revenue of expenditure in bringing food from another country. If this percentage is high, it indicates that this market can be good to develop a food company.
	Food Imports (<i>% of merchandise imports</i>) 2020 <u>WorldBank</u>	Food comprises the SITC sections 0, 1 and 4 and division 22, which include food and live animals, beverages and tobacco, animal and vegetable oils, and fats and oil seeds, oil nuts, and oil kernels, respectively. If this percentage is high, it indicates that this market can be good to develop a food company

	<p>Ease of Doing Business (0=lowest performance to 100=best performance)) 2019 <u>WorldBank</u></p>	<p>This indicator ranks economies relative to regulatory best practices, indicating their closeness to the greatest regulatory performance. A high ranking implies a beneficial environment to the firm.</p>
	<p>Foreign direct investment, net inflows (BoP, current US\$) 2015-2020 <u>Worldbank</u></p>	<p>Means the equity flows resulting from direct investment in the market, cross-border investments where someone from another controls the management of a company.</p>
Commercial Infrastructure	<p>Logistics Performance Index: overall (1=low to 5=high) 2018 <u>WorldBank</u></p>	<p>Highpoints a nation's logistics based on efficiency, quality, easiness of organizing priced shipments, ability and frequency of shipments reaching on time.</p>
	<p>Corporate Tax (% of revenue) 2020 <u>WorldBank</u></p>	<p>Taxes on income, profits, and capital gains of individuals, the profits of corporations and the capital gains on other assets. In consolidation, intragovernmental expenses are removed. The advantages of a smaller percentage consist of promoting investment and deterring profit shifting.</p>
Standard of living	<p>Access to Electricity (% of the population) 2020 <u>WorldBank</u></p>	<p>Individuals' access to electricity is one of the sharpest indicators of a country's energy shortage status.</p>
	<p>Life Expectancy at birth (Years) 2020 <u>WorldBank</u></p>	<p>Total years an child would live if patterns of mortality at birth stayed steady throughout his or her lifetime. This indicator analysis the wellbeing status in a nation and evaluates the socioeconomic development across countries.</p>
	<p>Unemployment rate (% of economically</p>	<p>Measures the portion of employees in the work force who do not presently have a work. Unemployment affects the take-home pay of families, wear down purchasing power and decreases an</p>

	<p><i>active population</i>) 2021 <u>Euromonitor</u></p>	economy's production.
	<p>Corruption Perceptions Index <i>(100 is very clean and 0 is highly corrupt)</i> 2021 <u>Transparency International</u></p>	Index which positions territories by their apparent concentrations of public sector corruption. High CPI indicates higher long-term economic growth.
	<p>Environmental Performance Index <i>(0 (poor performance) to 100 (great performance))</i> 2022 <u>Yale Center for Environmental Law & Policy</u></p>	The EPI for 2022 provides a data-driven evaluation of the global sustainability condition. Overall EPI rankings reflect which countries are best tackling the environmental concerns that every state faces upon.
Country Risk	<p>Political Risk Medium/Long Term <i>(1 (less risk) to 7 (more risk))</i> 2022 <u>Credendo</u></p>	Political Risk Index evaluate the risk of a sudden shift in government policy and wider political firmness. The higher the rate, the riskier a country represents in terms of political stability.
	<p>Business Environment Risk <i>(1 (less risk) to 7 (more risk))</i> 2022 <u>Credendo</u></p>	This indicator analysis in which country there is less possible risk to do business, helping companies analyzing risk against the potential return of expanding to a specific country.
	<p>Currency Risk <i>(1 (less risk) to 7 (more risk))</i> 2022 <u>Credendo</u></p>	This indicator analysis the possibility that variations in a foreign trade rate will adversely affect the assessment of a financial instrument or other assets.

Market Stability	Inflation, consumer prices (%) 2021 <u>WordBank</u>	Annual percentage shift in the cost to the average buyer acquiring products that may be fixed or variable at predetermined periods.
Economic & Political Freedom	Economic Freedom <i>(0=repressed to 100=free)</i> 2022 <u>The Heritage Foundation</u>	High correlation exists between the Index of Economic Freedom and general well-being, which includes health, education, the environment, innovation, societal advancement, and democratic governance. This indicator influences a country's economic development.
	Political Freedom <i>(0 is repressed and 100 is free)</i> 2022 <u>Freedom House</u>	Political freedom is the capability of a country's citizens to take part without restrictions in the political process. This indicator influences a country's economic development.
Cultural Distance	Hofstede Portugal <i>(the lower the value, the closer the countries are culturally)</i> 2022 <u>Hofstede</u>	This indicator analyses the differences between Portuguese Culture and other countries' Culture. Since Company B products have a Brazilian and Portuguese taste, this is an important indicator that analyses the integration of the product to be internalized in other countries.
	Hofstede Brazil <i>(the lower the value, the closer the countries are culturally)</i> 2022 <u>Hofstede</u>	This indicator analyses the differences between Brazilian Culture and other countries' Culture. Since Company B products have a Brazilian and Portuguese taste, this is an important indicator that analyses the integration of the product to be internalized in other countries.
Product Related	Cheese Consumption per Capita <i>(in kg)</i>	This indicator analyses the Cheese Consumption by person. Because Cheese Bread is one of the products to be internalized this is an key indicator of Company B's success in a given country.

<p>2011 <u>Helgilibrary</u></p>	
<p>Cheese Revenue per Capita (in USD (US\$)) 2021 <u>Statista</u></p>	<p>This indicator analyses the Cheese Revenue for each person. For the reason that Cheese Bread is one of the products to be internalized this is an key indicator of Company B's success in a given country.</p>
<p>Revenue per Capita Bread (in USD (US\$)) 2021 <u>Statista</u></p>	<p>Some of the products to be internalized are similar to bread, therefore, revenue for bread is an important indicator of the company' triumph.</p>
<p>Global Snack Market (in billion USD (US\$)) 2021 <u>Statista</u></p>	<p>Some of the products to be internalized are similar to snacks, therefore, revenue for bread is an important indicator of the company' triumph.</p>
<p>Immigrants from Brazil (total) 2020 <u>Gov.brasil</u></p>	<p>Presence of Brazilian communities is a valuable indicator of demand conditions since most B products are traditional Brazilian savory goods.</p>

Appendix 8: Countries Eliminated after 1st Criteria

Countries Eliminated after 1st Criteria				
Afghanistan	Congo, Dem. Rep.	Iraq	Oman	Tajikistan
Andorra	Congo, Rep.	Korea, Dem. People's Rep.	Palau	Timor-Leste
Bahamas	Cote d'Ivoire	Kosovo	Papua New Guinea	Togo
Bahrain	Djibouti	Kuwait	Puerto Rico	Tonga
Barbados	Dominica	Lao PDR	Rwanda	Trinidad and Tobago
Belize	Equatorial Guinea	Lesotho	Saint Lucia	Turkmenistan
Benin	Eswatini	Liberia	Samoa	Turks and Caicos Islands
Bhutan	French Polynesia	Libya	Sao Tome and Principe	Tuvalu
Botswana	Gabon	Liechtenstein	Seychelles	United Arab Emirates
British Virgin Islands	Gambia	Macao SAR, China	Sierra Leone	Vanuatu
Brunei	Grenada	Madagascar	Solomon Islands	Venezuela
Burundi	Guinea	Maldives	Somalia	Virgin Islands (U.S.)
Cabo Verde	Guinea-Bissau	Mali	St. Kitts and Nevis	Yemen
Cameroon	Guyana	Marshall Islands	St. Vincent and the Grenadines	Zimbabwe
Central African Republic	Haiti	Mauritania	Sudan	
Chad	Hong Kong SAR, China	Nauru	Suriname	
Comoros	Iran	Niger	Syrian Arab Republic	

Appendix 9: Countries Eliminated after 2nd Criteria

Countries Eliminated after 2nd Criteria				
Argentina	Kenya	Mongolia	Russian Federation	Zambia
Belarus	Lebanon	Mozambique	Sri Lanka	
Ethiopia	Malawi	Mongolia	Ukraine	

Appendix 10: Countries Eliminated after 3rd Criteria

Countries Eliminated after 3rd Criteria				
Algeria	Bangladesh	Cambodia	Honduras	Nigeria
Angola	Bolivia	Ecuador	Myanmar	Tanzania
	Burkina Faso		Nicaragua	

Appendix 11: Countries Eliminated after 4th Criteria

Countries Eliminated after 4th Criteria
Nepal

Appendix 12: Total Countries for SPSS Analysis

Total Countries for SPSS Analysis				
Albania	Egypt	Jordan	Pakistan	Uganda
Armenia	Spain	Japan	Panama	Uruguay
Australia	Estonia	Kazakhstan	Peru	United States
Austria	Finland	Kyrgyzstan	Philippines	Uzbekistan
Azerbaijan	Fiji	Korea, Rep.	Poland	Vietnam
Belgium	France	Lithuania	Portugal	South Africa
Bulgaria	United Kingdom	Luxembourg	Paraguay	
Bosnia and Herzegovina	Georgia	Latvia	Qatar	
Brazil	Ghana	Morocco	Romania	
Canada	Greece	Moldova	Saudi Arabia	
Switzerland	Guatemala	Mexico	Senegal	
Chile	Croatia	North Macedonia	Singapore	
China	Hungary	Malta	El Salvador	
Colombia	Indonesia	Montenegro	Serbia	
Costa Rica	India	Mauritius	Slovak Republic	
Cyprus	Ireland	Malaysia	Slovenia	
Czech Republic	Iceland	Namibia	Sweden	
Germany	Israel	Netherlands	Thailand	
Denmark	Italy	Norway	Tunisia	
Dominican Republic	Jamaica	New Zealand	Turkey	

Appendix 13: Number and Percentage of Missing Values

Absolute Number and Percentage of Missing Values		
Variable Summary		
	Missing	
	N	Percent
Food Expenditure per Capita 5 year CAGR	13	15.1%
Immigrants from Brazil total	9	10.5%
Cheese Consumption per Capita in kg	4	4.7%
Inflation consumer prices	4	4.7%
Food imports of merchandise imports	3	3.5%
Logistics Performance Index overall (1= low to 5=high)	2	2.3%
Total Food Imports US\$ Thousand	2	2.3%
Imports of Goods and Services of GDP	1	1.2%
Households and NPISHs Final consumption expenditure per capita constant 2015	1	1.2%

Appendix 14: Variables that are Highly Correlated within the 86 Countries

Variables that are Highly Correlated within the 86 Countries		
GDP per Capita Households and NPISHs .920**	Corruption Perceptions GDP per Capita .826**	Hofstede Brazil Hofstede Portugal .850**
Total Food Imports US\$ GDP Total .954**	Global Snack Market Total Food Imports US\$.759**	Cheese Revenue Cheese Consumption .787**
Global Snack Market GDP Total .832**	Political Risk Logistics Performance -.811**	Bread Revenue Cheese Consumption .771**
Logistics Performance Households and NPISHs .780**	Economic Freedom Corruption Perceptions .800**	Bread Revenue Cheese Revenue .874**
Corruption Perceptions Households and NPISHs .846**	Currency Risk Political Risk 1.000**	

** . Correlation is significant at the 0.01 level (2-tailed)

Appendix 15: MCAR Test Significance

- a. Little's MCAR test: Chi-Square = 149.824, DF = 214, Sig. = 1.000

Appendix 16: ANOVA for k-mean method for k=17 and k=18

ANOVA Results for k-mean Method for k=17 and k=18				
ANOVA				
	K=17		K=18	
	F	Sig.	F	Sig.
Zscore(PopulationTotal)	77.33	0.00	71.77	0.00
Zscore(GDPAnnualGrowthannual)	7.55	0.00	7.16	0.00
Zscore(Foodimportsofmerchandiseimports)	7.93	0.00	7.36	0.00
Zscore(EaseofDoingBusiness0lowestperformanceto100bestperformance)	16.41	0.00	15.75	0.00
Zscore(LogisticsPerformanceIndexoverall1lowto5high)	12.14	0.00	11.92	0.00
Zscore(CorporateTaxofrevenue)	11.12	0.00	10.44	0.00
Zscore(BusinessEnvironmentRisk1lessriskto7morerisk)	5.92	0.00	7.02	0.00
Zscore(HofstedePortugalthe lower the value the closer the countries are cultural)	17.73	0.00	19.70	0.00
Zscore(UrbanPopulationofthepopulation)	12.66	0.00	12.01	0.00

Appendix 17: Variables, Weights and Reasoning

Variables, Weights and Reasoning			
	Variables	Weight (%)	Justification
Market Size (8%)	Population Total (total) 2021 WorldBank	2	Regarding Market Size, it is more important the proportion of the population that lives in urban regions which have more supermarkets than total population.
	Urban Population (% of the population) 2021 WorldBank	4	Important the share of the population that resides in urban areas, as these regions have more supermarkets.
	GDP Total (current US \$) 2021 WorldBank	2	Close correlated with the indicator Total Food Imports US\$ in thousand and with global snack market in Billions US\$.
Market Growth Rates (6%)	Population Growth (annual %) 2021 Internal Computations based on WorldBank data	2	Significant as it provides some indication regarding the possibility of sales, but not as important as other factors for B.
	GDP Annual Growth (annual %) 2021 WorldBank	1	Not as important as other factors for B, because Covid-19 pandemic might have influenced it.
	GDP CAGR 5 year (%) 2017-2021 Internal Computations based on WorldBank data	3	Significant as it provides some indication regarding the possibility of sales.
Market	GDP per	2	Significant as it provides some indication about

Intensity (5%)	Capita (current US \$) 2021 WorldBank		the possibility of sales, but not as important as other factors for B. Not given such important as the Households and NPISHs Final consumption expenditure per capita, because these two indicators are correlated.
	Households and NPISHs Final consumption expenditure per capita (constant 2015 US\$) 2015 – 2021 Worldbank	3	Significant as it provides some indication about the possibility of sales on a specific country.
Market Receptivity (16%)	Imports of Goods and Services (% of GDP) 2021 WorldBank	2	Significant as it provides some indication about the possibility of sales, but not as important as other factors for B.
	Total Food Imports (US\$ Thousand) 2020 WITS	4	Significant as it provides some indication about the possibility of sales in the food industry.
	Food Imports (% of merchandise imports) 2020 WorldBank	3	Significant as it provides some indication about concerning the possibility of sales in the food industry, but not that important because it is a percentage.
	Ease of Doing Business (0=lowest performance to 100=best performance) 2019 WorldBank	4	Relevant because this indicator analysis the environment to establish a company.

	Foreign direct investment, net inflows (BoP, current US\$) 2015-2020 Worldbank	3	Relevant indicator since analysis the possibility of investment.
Commercial Infrastructure (6%)	Logistics Performance Index: overall (1=low to 5=high) 2018 WorldBank	4	Important because a food company needs an efficient country regarding logistics, trade and infrastructure.
	Corporate Tax (% of revenue) 2020 WorldBank	2	Since B adopted an export strategy of international expansion and if this continues, Corporate Tax is not relevant since it will still be paid in the home country.
Standard of living (14%)	Access to Electricity (% of the population) 2020 WorldBank	4	Very relevant indicator since products need to be frozen and the logistics chain shouldn't be broken.
	Life Expectancy at birth (Years) 2020 WorldBank	2	Important because it provides some evidence regarding country's development, but not as important as other factors for B.
	Unemployment rate (% of economically active population) 2021 Euromonitor	2	Important because it provides some evidence regarding country's development, but not as important as other factors for B.
	Corruption	4	Important indicator, because for B is important

	<p>Perceptions Index <i>(100 is very clean and 0 is highly corrupt)</i> 2021 Tranparency International</p>		that a country corresponds to B's values.
	<p>Environmental Performance Index <i>(0 (poor performance) to 100 (great performance))</i> 2022 Yale Center for Environmental Law & Policy</p>	2	Important because it provides some evidence regarding country's development, but not as important as other factors for B.
Country Risk (11%)	<p>Political Risk Medium/Long Term <i>(1 (less risk) to 7 (more risk))</i> 2022 Credendo</p>	4	Important indicator, because for B is important that a country corresponds to B's values.
	<p>Business Environment Risk <i>(1 (less risk) to 7 (more risk))</i> 2022 Credendo</p>	4	Important indicator because it gives insights regarding a possible smooth entrance in other country.
	<p>Currency Risk <i>(1 (less risk) to 7 (more risk))</i> 2022 Credendo</p>	3	Important indicator, because it gives insights regarding a possible smooth entrance in other country.

Market Stability (4%)	Inflation, consumer prices (%) 2021 WordBank	4	Relevant indicator because for B is important to keep prices and costs stable.
Economic & Political Freedom (7%)	Economic Freedom <i>(0=repressed to 100=free)</i> 2022 The Heritage Foundation	3	Important indicator, because for B is important that a country corresponds to B's values.
	Political Freedom <i>(0 is repressed and 100 is free)</i> 2022 Freedom House	4	Important indicator, because for B is important that a country corresponds to B's values.
Cultural Distance (9%)	Hofstede Portugal <i>(the lower the value, the closer the countries are culturally)</i> 2022 Hofstede	3	Since Company B' products have such a specific taste, its important that the country to expand to is open to try it. This indicator is correlated with Hofstede Brazil, therefore, it was given less importance.
	Hofstede Brazil <i>(the lower the value, the closer the countries are culturally)</i> 2022 Hofstede	6	Since Company B' products have such a specific taste, it's important that the country to expand to is open to try it.
Product Related	Cheese Consumption	4	Important indicator because some of the product to be internalized have cheese.

(14%)

per Capita (in kg) 2011 Helgilibrary		
Cheese Revenue per Capita (in USD (US\$)) 2021 Statista	2	Important indicator, however, is correlated with Cheese Consumption per Capita in kg.
Revenue per Capita Bread (in USD (US\$)) 2021 Statista	4	Relevant indicator because most of the products to be internalized have similarities to Bread products.
Global Snack Market (in billion USD (US\$)) 2021 Statista	4	Relevant indicator because most of the products to be internalized have similarities to Snack products.

Appendix 18: Ranking

Ranking					
#1	United States	#30	Israel	#59	Thailand
#2	Luxembourg	#31	Poland	#60	Armenia
#3	Norway	#32	Latvia	#61	Georgia
#4	Germany	#33	Chile	#62	Kazakhstan
#5	Switzerland	#34	Uruguay	#63	Colombia
#6	Finland	#35	China	#64	Brazil
#7	Denmark	#36	Romania	#65	Jordan
#8	Sweden	#37	Croatia	#66	El Salvador
#9	Netherlands	#38	Bulgaria	#67	Morocco
#10	Belgium	#39	Slovak Republic	#68	Vietnam
#11	Iceland	#40	Greece	#69	Mauritius
#12	New Zealand	#41	Hungary	#70	Philippines
#13	France	#42	Qatar	#71	Bosnia and Herzegovina
#14	Canada	#43	Malaysia	#72	Paraguay
#15	Ireland	#44	Saudi Arabia	#73	Moldova
#16	Japan	#45	Mexico	#74	Egypt
#17	Austria	#46	Costa Rica	#75	Jamaica
#18	Australia	#47	India	#76	Guatemala
#19	United Kingdom	#48	North Macedonia	#77	South Africa
#20	Singapore	#49	Montenegro	#78	Ghana
#21	Estonia	#50	Peru	#79	Tunisia
#22	Italy	#51	Serbia	#80	Senegal
#23	Spain	#52	Panama	#81	Fiji
#24	Portugal	#53	Azerbaijan	#82	Namibia
#25	Korea, Rep.	#54	Turkey	#83	Uzbekistan
#26	Czech Republic	#55	Albania	#84	Pakistan
#27	Malta	#56	Cyprus	#85	Kyrgyzstan
#28	Slovenia	#57	Dominican Republic	#86	Uganda
#29	Lithuania	#58	Indonesia		

Appendix 19: Country Clusters Ordered based on Average Score of the Composing Countries

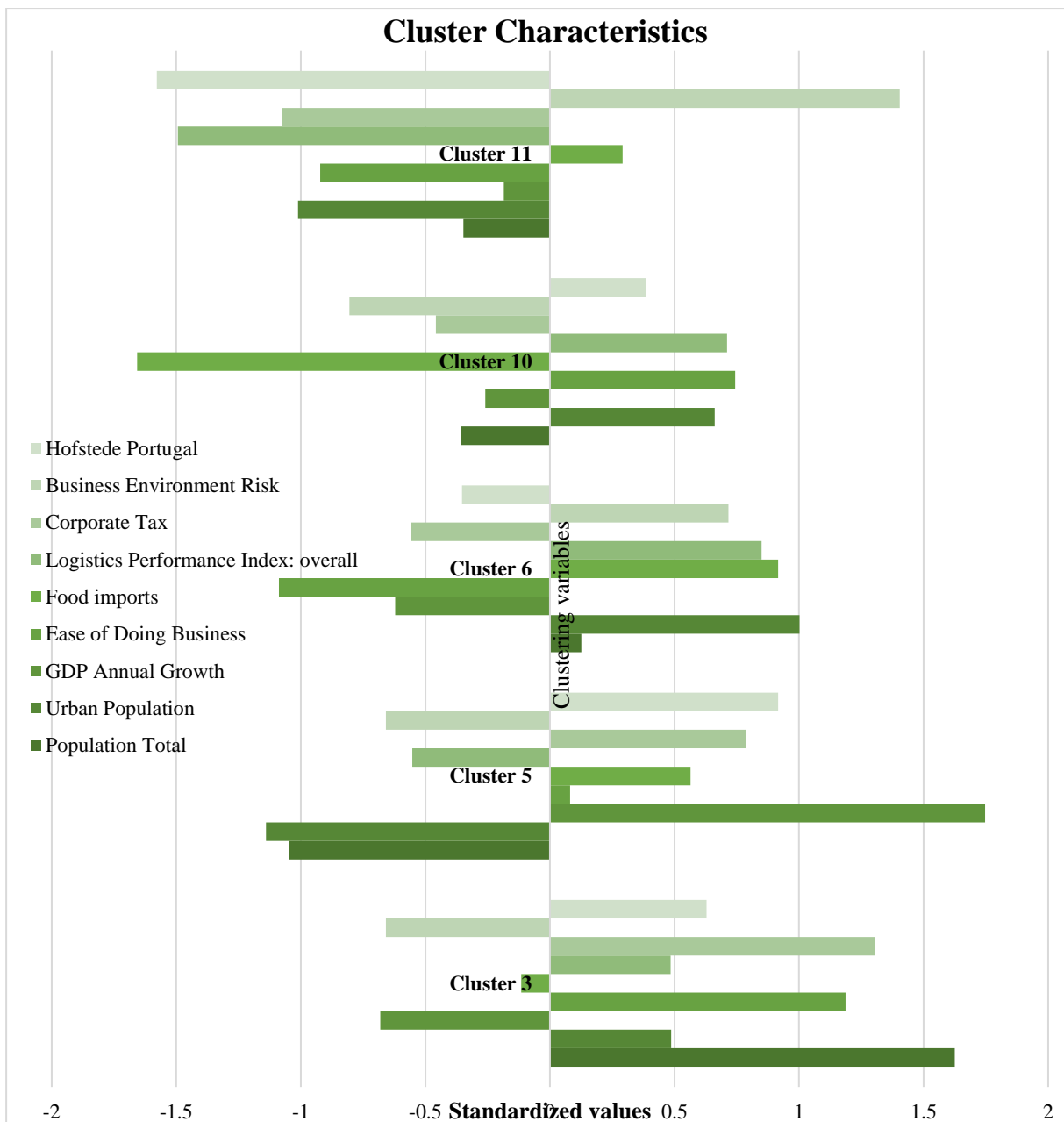
Country Clusters Ordered based on Average Score of the Composing Countries		
Cluster	Rank	Score average
6	#1	60.5
10	#3	59.5
5	#2	59.5
3	#4	59.1
11	#5	48.7
4	#6	46.0
14	#7	44.6
16	#8	43.9
12	#9	42.4
2	#10	42.0
13	#12	41.9
15	#11	40.9
9	#13	37.3
1	#14	36.1
7	#15	32.6
17	#16	32.0
8	#17	22.1

Appendix 20: Country Clustering & Country Ranking

Country Clustering and Country Ranking								
Cluster	Country	Score	Rank	Cluster	Country	Score	Rank	
1	Mauritius	36.78	69	11	Estonia	56.091	21	
	Jamaica	35.43	75		Spain	56.056	23	
2	Lithuania	54.24	29		Portugal	55.639	24	
	Armenia	39.83	60		Czech Republic	55.346	26	
	Georgia	39.36	61		Slovenia	54.567	28	
	Kazakhstan	39.28	62		Poland	52.052	31	
	Morocco	37.09	67		Romania	48.542	36	
3	United States	67.21	1		Bulgaria	48.039	38	
	Denmark	62.63	7		Greece	47.786	40	
	New Zealand	60.90	12		North Macedonia	42.620	48	
	Canada	59.49	14		Serbia	42.058	51	
	Australia	58.50	18	Azerbaijan	41.835	53		
	Malaysia	45.89	43	Turkey	41.405	54		
4	China	49.41	35	Thailand	40.263	59		
	India	42.63	47	12	Italy	56.072	22	
5	Ireland	59.46	15		Mexico	43.770	45	
	6	Luxembourg	66.52		2	Indonesia	40.435	58
Germany		64.04	4		Vietnam	36.939	68	
Finland		63.62	6		South Africa	34.591	77	
Netherlands		62.00	9	13	Latvia	51.931	32	
Belgium		61.65	10		Saudi Arabia	44.219	44	
Iceland		61.29	11		Jordan	37.694	65	
France		60.11	13		Tunisia	33.562	79	
7		Japan	59.06	16	14	Malta	54.704	27
		Qatar	46.35	42		Chile	51.075	33
	Philippines	36.50	70	Uruguay		50.205	34	
	Egypt	35.58	74	Costa Rica		43.735	46	
	Guatemala	35.01	76	Peru		42.086	50	
	Ghana	33.61	78	Panama		41.940	52	
8	Senegal	32.95	80	Dominican Republic		40.565	57	
	Namibia	28.65	82	Colombia		39.275	63	
	Pakistan	25.75	84	El Salvador		37.661	66	
	9	Kyrgyzstan	24.00	85	15	Croatia	48.099	37
		Uganda	20.12	86		Montenegro	42.556	49
10	Brazil	38.14	64	Albania		41.245	55	
	Paraguay	36.38	72	Bosnia and Herzegovina		36.415	71	
	Norway	65.52	3	Moldova		36.286	73	

16	Switzerland	63.68	5	17	Austria	58.877	17
	Sweden	62.26	8		Slovak Republic	47.818	39
	United Kingdom	58.00	19		Hungary	46.442	41
	Singapore	57.43	20		Cyprus	40.748	56
	Korea, Rep.	55.52	25		Uzbekistan	25.834	83
	Israel	54.17	30		Fiji	31.991	81

Appendix 21: Plot of Standardized Average Characteristics of Each Cluster



Appendix 22: Grocery Retailers Revenue Market Share and HHI in US

Grocery Retailers Market Share by Revenue and HHI		
Grocery Retailer	Market Share by Revenue 2021 (%)	Squared Market share
Walmart Inc	25.2%	635.04
Kroger Co	8.1%	65.61
Albertsons Cos Inc	4.8%	23.04
Koninklijke Ahold Delhaize NV	3.8%	14.44
Publix Super Markets Inc	3.7%	13.69
Market Share top 5: 45.6%		HHI top 5: 751.82
HE Butt Grocery Co	2.4%	5.76
Aldi Group	1.7%	2.89
Meijer Inc	1.6%	2.56
Seven & I Holdings Co Ltd	1.6%	2.56
Wakefern Food Corp	1.4%	1.96
Trader Joe's Co	1.3%	1.69
Amazon.com Inc	1.2%	1.44
Target Corp	1.0%	1.00
Hy-Vee Inc	1.0%	1.00
Wegmans Food Markets Inc	0.9%	0.81
WinCo Foods Inc (Waremart)	0.7%	0.49
Alimentation Couche-Tard Inc	0.7%	0.49
Giant Eagle Inc	0.6%	0.36
Southeastern Grocers LLC	0.6%	0.36
Wawa Inc	0.5%	0.25
Sprouts Farmers Market Inc	0.5%	0.25
Stater Bros Holdings Inc	0.4%	0.16
QuikTrip Corp	0.4%	0.16
Save-a-Lot Food Stores	0.3%	0.09
Ingles Markets Inc	0.3%	0.09
Smart & Final Stores Inc	0.3%	0.09
Weis Markets Inc	0.3%	0.09
Murphy USA Inc	0.3%	0.09
Grocery Outlet Inc	0.2%	0.04
Grupo Comercial Chedraui SAB de CV	0.2%	0.04
Casey's General Stores Inc	0.2%	0.04
Sheetz Inc	0.2%	0.04
United Natural Foods Inc	0.2%	0.04
Fresh Market Inc, The	0.1%	0.01
Schwarz Beteiligungs GmbH	0.1%	0.01
EG Group Ltd	0.1%	0.01
BP plc	0.1%	0.01
GPM Investments LLC	0.1%	0.01
Chevron Corp	0.1%	0.01
Energy Transfer Equity LP	0.0%	0.00
Others	32.5%	
HHI:		776.72

*the HHI is computed over the market share of the first 40 companies as after "Energy Transfer Equity LP" the impact on the HHI is insignificant
Source Passport

Appendix 23: Baked Goods Producers Revenue Market Share and HHI in US

Baked Goods Producers Market Share by Revenue and HHI		
Baked Good Producer	Market Share by Revenue 2021 (%)	Squared Market share
Grupo Bimbo SAB de CV	8.0%	64.00
Flowers Foods Inc	3.7%	13.69
Hostess Brands LLC	2.3%	5.29
McKee Foods Corp	2.0%	4.00
Kellogg Co	1.9%	3.61
Market Share top 5: 17.9%		HHI top 5: 90.59
Gruma SAB de CV	1.5%	2.25
Campbell Soup Co	1.4%	1.96
General Mills Inc	0.9%	0.81
ConAgra Brands Inc	0.6%	0.36
Lancaster Colony Corp	0.6%	0.36
Schwan Food Co, The	0.5%	0.25
Kraft Heinz Co	0.5%	0.25
Krispy Kreme Doughnut Corp	0.3%	0.09
Sara Lee Frozen Bakery	0.2%	0.04
Nestlé SA	0.1%	0.01
Artisanal	43.3%	
Private Label	14.4%	
Others	18.0%	
HHI:		96.97

*the HHI is computed over the market share of the first 15 companies as after "Nestlé SA" the impact on the HHI is insignificant

Source Passport

Appendix 24: Expenditure in US for Selected Baked Goods

Expenditure in US for Selected Baked Goods	
	B\$ (2021)
Expenditure on Frozen Baked Goods	2.42
Expenditure on Unpackaged Pastries	10.95
Total	13.37

Source Passport

Appendix 25: Distribution of Baked Goods by Format in US

Distribution of Baked Goods by Format	
2021 (as % of total revenue)	
Convenience Retail	4.0%
Supermarket	47.3%
Hypermarkets	15.0%
Discounters	8.2%
Total	74.50%

Source Passport

Appendix 26: Estimations for the SOM in US for B

SOM Estimations Following Chain Method											
Metropolitan Area	Population (2021)*	US Average Members per Household (2020)**	Estimated Number of Households	Average Annual Expenditures per Household (2020) (\$)**	Estimated Total Annual Expenditures (\$)	US Average Expenditure on Food (% of the total) (2020)**	Estimated Average Expenditure on Food (\$)	Ratio A	Estimated Expenditure on selected Baked Goods (SAM) (\$)	Average Market Share per company (Ratio B)	Estimated Revenue in Selected Baked Goods (SOM) (\$)
BST	4,899,932		1,959,973	91,578	179,490,389,078		22,436,298,635		245,542,625		36,708
MI	6,091,747	2.5	2,436,699	51,704	125,987,074,755	12.50%	15,748,384,344	1.09%	172,350,159	0.015%	25,766
NY	19,768,458		7,907,383	75,275	595,228,270,380		74,403,533,798		814,271,520		121,733
Total	30,760,137		12,304,055		900,705,734,214		112,588,216,777		1,232,164,304		184,208

Sources: *Census Reporter, **U.S. Bureau of Labor Statistics

Appendix 27: Ratio between Selected Baked Goods Sold through Selected Retailers and Expenditure on Food US

Ratio A Calculations		
2021		
A	Expenditure on Frozen Baked Goods (B\$)	2.42
B	Expenditure on Unpackaged Pastries (B\$)	10.95
C	Total (A+B) (B\$)	13.37
D	Of which in selected Retailers (%)	74.50%
E	Revenue selected Baked Goods through selected Retailers (C*D) (B\$)	9.96
F	Expenditure on Food (B\$)	910.01
Ratio (Selected Baked Goods through selected Retailers)/(Expenditure on Food) (E/F)		1.09%

Source Passport

Appendix 28: Average Market Share per Company in US

Ratio B Calculations		
2021		
A	Estimated Expenditure on selected Baked Goods (SAM) (\$)	1,232,164,304
B	Expenditure on Baked Goods* (2021) (\$)	76,540,800,000
C	Ratio SAM/(Expenditure on Baked Goods) (A/B)	1.61%
D	Number of Baked Goods producers in US** (2021)	6,689
E	Average Revenue in Baked Goods per company (B/D) (\$)	11,442,787
F	Average Revenue in Selected Baked Goods in Selected Areas per company (E*C) (\$)	184,208
Average Market Share per company (F/A) (%)		0.015%

Source: *Passport, **Orbis

Appendix 29: Targeting

Targeting	
<u>Family Heroes</u>	
Possible Number of Consumers	Although this market segment corresponds to the number of parents that purchases for all family, the number of consumers will combine all the household's member, since the purchases will be for all of them. In 2018, being the most recent year with this information, in France, there were 10.591M families, including single father or mother with children and couple with children (Statista (c) 2021) and the average household size in 2018 was 2,18 people for household (GlobalData (a) 2022). Therefore, it was estimated that this segment combines around 23.088M people.
Expenditure per capita	Taking into consideration the estimate of the annual revenue of the package pastries industry and the frozen baked industry in 2022, 91.6M€ and 2,071M€ respectively, (Passport Euromonitor International (l) 2022) and dividing by the total population in 2021, reaching an average expenditure per capita of 32.09€ per year. Considering expenditure per capita, since the number of consumers is individual consumers and not households, the total average expenditure of this market segment in one year is around 740M€.
Compatibility	Regarding aesthetics, B doesn't offer the most fun and attractive package for kids. However, almost all packages' sizes fits perfectly for medium and big families, as it reduces the frequency of shopping trips. Lastly, the easiness of cooking fits a family because most of the time, consumers do not have time to cook and want to let the oven do its work.
<u>Gourmet Focus</u>	
Possible Number	In 2021, France had a total population of 67.41M people (Statista (ah)

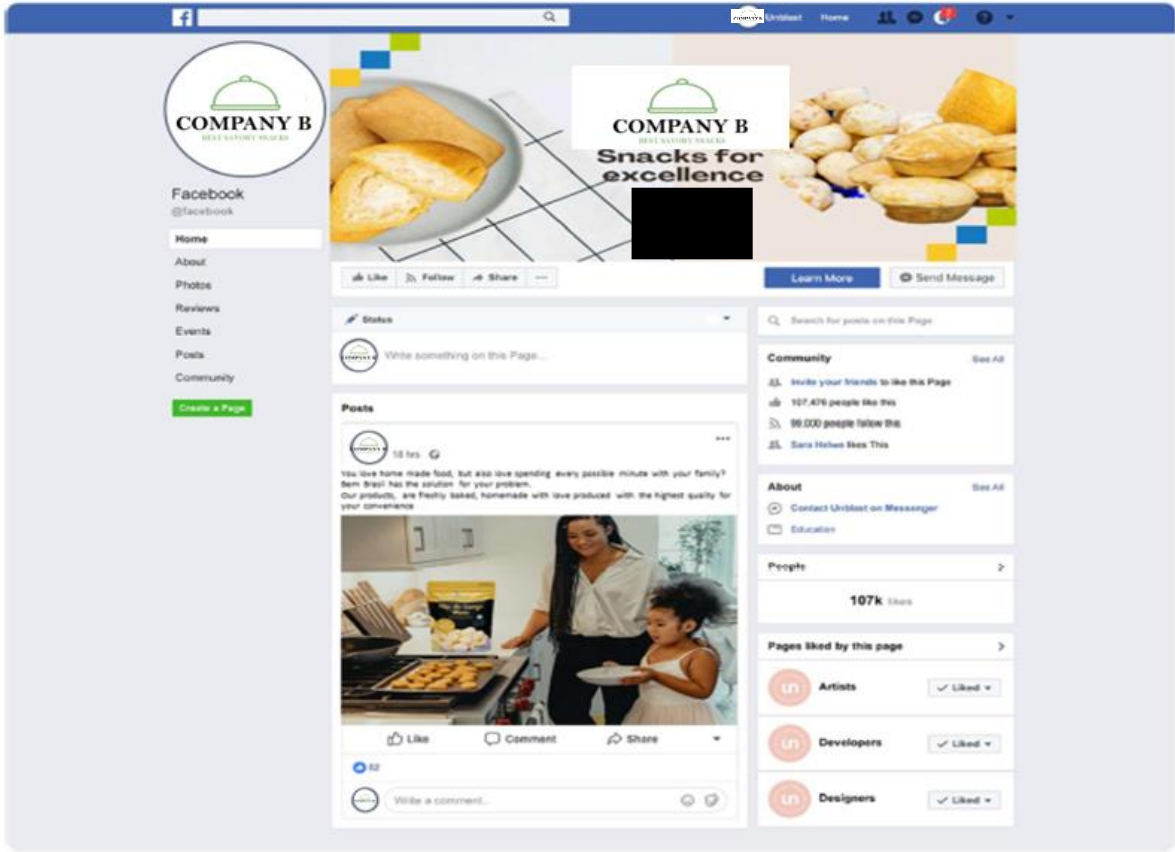
of Consumers	2022). This market segment was considered to be between the ages of 40 to 74 years old, by combining the information regarding the average annual salary (Statista (a) 2021) and the annual standard of living (Statista (ab) 2021), which corresponds to 37,62% of the total population (Statista (b) 2022). Additionally, 40% on average of the population define high quality was a purchase criterion for food (Kunst (a) 2022). Therefore, it was estimated that this segment combines around 10.143M people.
Expenditure per capita	Taking into consideration the estimate of the annual revenue of the package pastries industry and the frozen baked industry in 2022, 91.6M€ and 2,071M€ respectively, (Passport Euromonitor International (l) 2022) and dividing by the total population in 2021, reaching to an average expenditure per capita of 32.09€ per year. Since, at least 37% of shoppers are willing to pay more for sustainable food, an assumption can be made that at least 37% is willing to pay the same extra percentage for high quality food (Trenda (b) 2022). Therefore, the average estimated expenditure per capita is 33.09€ and the total average expenditure of this market segment in one year is around 341M€.
Compatibility	The aesthetics is ideal to this market segment, however, the size of the package is somewhat bigger than the ideal option. Moreover, although B products are very easy to cook, this can be seen as a turndown to Gourmet Focus segment, because for these consumers frozen or baked products do not match to the freshness and high-quality products they look for.
<u>The Busy One</u>	
Possible Number of Consumers	In 2021, France had a total population of 67.41M people (Statista (ah) 2022). This market segment was considered to be between the ages of 25 to 35 years old, which corresponds to 11% of the total population (Statista (b) 2022). Therefore, it was estimated that this segment combines around 7.691M people.
Expenditure per capita	Taking into consideration the estimate of the annual revenue of the package pastries industry and the frozen baked industry in 2022, 91.6M€ and 2,071M€ respectively, (Passport Euromonitor International (l) 2022) and dividing by the total population in 2021, reaching an average expenditure per capita of 32,09€ per year and the total average expenditure of this market segment in one year around 145M€.
Compatibility	For this segment, the current aesthetics of B's products could be improved since it doesn't reflect the easiness to cook, for example, the package could have the easy steps to cook. Regarding the size, is much more than a single person needs, although for some, it can be seen also as an asset that allows less need to go to the supermarket. Regarding, easiness to cook, although it is very easy, it requires more time and effort than a prepared meal, which is not ideal.

<u>Food Adventurous</u>	
Possible Number of Consumers	In 2021, France had a total population of 67.41M people (Statista (ah) 2022). Taking into consideration that ages between 20 and 35 are the ones that less value local economy (Trenda (e) 2022), corresponding to 17% of the total population (Statista (b) 2022), it was estimated that this segment combines around 11.540M people.
Expenditure per capita	Taking into consideration the estimate of the annual revenue of the package pastries industry and the frozen baked industry in 2022, 91.6M€ and 2,071M€ respectively, (Passport Euromonitor International (l) 2022) and dividing by the total population in 2021, reaching to an average expenditure per capita of 32.09€ per year and the total average expenditure of this market segment in one year is around 370M€.
Compatibility	For this segment, although the current aesthetics of B's products is good, it could be improved since it almost doesn't reflect the foreign asset of the product. Regarding the size, the package fits this kind consumer.

Appendix 30: Mock Up – Promotion Poster Outside Supermarket



Appendix 31: Example Social Media Content Facebook



Appendix 32: France Market size and B Market Share Estimation

Company B SOM and Market Share Estimations for 2024			
Year	2022	2023	2024
Estimated B revenue (€)			337,990
Overall Baked Good market France (B€)	15.9	16.1	16.3
of which Frozen Baked Goods (M€)	91.6	90.4	89.1
of which Unpackaged Pastry (M€)	2,071.4	2,091.4	2,097.3
Total (M€)	2,163.0	2,181.8	2,186.4
Of which through selected distribution (%)		22%	
Estimated SAM (M€)	484.5	488.7	489.8
Number of companies	53,000		
Estimated number of companies operating in the SAM	1618.0		
Estimated SOM (€)	299,451	302,054	302,691
B market share (%)			0.07%

Source: Passport

Appendix 33: Company B Expected Revenue

Company B Revenue Estimation					
Year	2024	2025	2026	2027	2028
Growth rate new companies (%)		46.11%			
4 years CAGR Company B (%)			12.97%	12.97%	12.97%
B estimated growth rate (%)		46.11%	12.97%	12.97%	12.97%
B estimated Sales and Services (€)	337,990	493,842	557,907	630,284	712,051

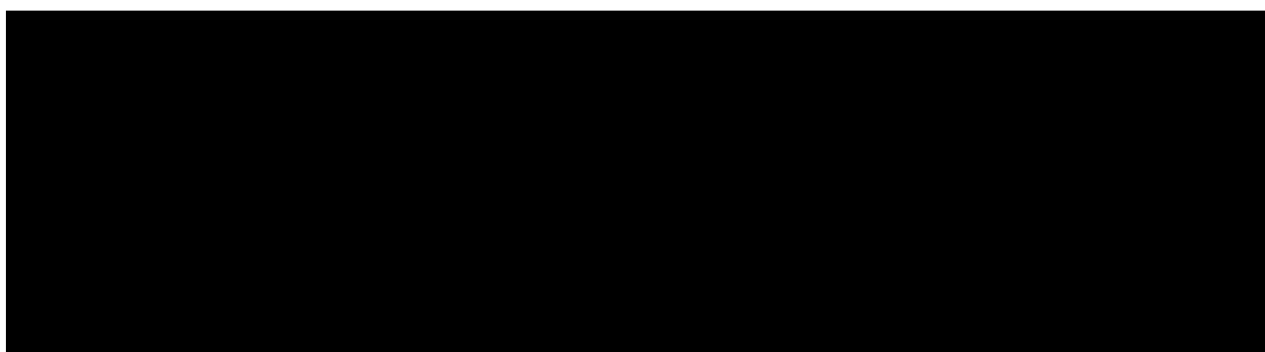
Appendix 34: P&L Statement

P&L Forecast 2023-2028						
Year	2023	2024	2025	2026	2027	2028
Sales and Services (€)	-	337,990	493,842	557,907	630,284	712,051
COGS (€)	-	138,661	197,662	217,725	242,819	274,320
Gross Profit (€)	-	199,328	296,180	340,182	387,465	437,731
External Services (€)	15,000	66,452	92,022	102,533	114,407	127,822
Specialized Jobs (€)	-	7,262	10,611	11,987	13,542	15,299
Maintenance (€)	-	10,949	15,998	18,074	20,418	23,067
Energy and Water (€)	-	20,279	29,631	33,474	37,817	42,723
Fast Wear Materials (€)	-	4,225	6,173	6,974	7,879	8,901
Office Supplies (€)	-	1,000	1,000	1,000	1,000	1,000
Travel (€)	-	10,000	10,000	10,000	10,000	10,000
Cleaning (€)	-	3,324	4,856	5,486	6,198	7,002
Insurance (€)	-	6,033	8,815	9,958	11,250	12,709
Other Costs (€)	15,000	3,380	4,938	5,579	6,303	7,121
Freight Cost (€)	-	30,992	45,296	51,256	57,812	65,560
Marketing (€)	4,000	8,000	3,000	3,000	3,000	3,000
Personnel Cost (€)	8,000	52,627	98,983	115,651	120,925	126,882
EBITDA (€)	(27,000)	41,257	56,879	67,743	91,322	114,466
D&A (€)	13,731	13,731	13,731	14,981	14,981	14,981
Machines (€)	3,200	3,200	3,200	4,450	4,450	4,450
Warehouse (€)	10,531	10,531	10,531	10,531	10,531	10,531
EBIT (€)	(40,731)	27,526	43,148	52,762	76,341	99,486
Interest Expenses (€)	15,635	15,635	15,635	15,635	15,521	14,379
EBT (€)	(56,365)	11,892	27,514	37,127	60,815	85,106
Taxes (€)	-	606	4,250	6,797	11,772	16,872
Net Income (€)	(56,365)	11,285	23,264	30,330	49,047	68,234

Appendix 35: Taxes

Tax forecasts 2023 - 2028						
Tax losses carry forward	2023	2024	2025	2026	2027	2028
EBT (€)	(56,365)	11,892	27,514	37,127	60,819	85,106
EBT after tax carry forward (€)	(56,365)	3,568	25,001	37,127	60,819	85,106
Taxes (€)	(10,837)	606	4,250	6,797	11,772	16,872
21% (€)	(6,587)	-	-	2,547	7,522	12,622
17% (€)	(4,250)	606	4,250	4,250	4,250	4,250
Tax loss carry forward (€)	10,837	2,513	-	-	-	-

Appendix 36: Average Days in Inventory



Appendix 37: Assets' Book Value

Assets' Book Value						
Salvage value	2023	2024	2025	2026	2027	2028
Equipment 2023 (€)	28,800	25,600	22,400	19,200	16,000	12,800
Equipment 2026 (€)				11,250	10,000	8,750
Warehouse 2023 (€)	200,086	189,556	179,025	168,494	157,963	147,432

Appendix 38: Loan to be Requested in 2023

Amount of Loan Needed in 2023	
Capex (€)	242,617
Working Capital Needs (€)	82,572
First Year Expenses + Buffer (€)	45,300
Total (€)	370,489

Appendix 39: Interests to be Paid Yearly (not Considering Repayment of Debt)

Interests to be Paid	
2 year Portuguese Government July (%)	0.85%
2 year Portuguese Government Nov-11 (%)	2.31%
Difference (%)	1.46%
Interest for Loans <1M July (%)	2.76%
Approximate Interest Rate Now (%)	4.22%
Interest to be paid (€)	15,634.63

Appendix 40: Interests to be Paid Yearly Considering Repayment of Debt

Payback of the Loan and Interest for each year						
Year	2023	2024	2025	2026	2027	2028
Value of Loan (€)	370,489	370,489	370,489	367,807	340,740	287,053
FCF (€)			2,682	27,067	53,687	462,422
Interests (€)	15,635	15,635	15,635	15,635	15,521	14,379

Appendix 41: WACC Calculation

WACC Calculation	
10 year portuguese government bond (%)	3.2%
Unlevered Beta Food Processing (Damodaran)	0.61
Portugal equity risk premium (%)	6.12%
Tax Rate Portugal (%)	21.0%
Debt Company B 2021 (€)	283,745
Interest Paid Company B 2021 (€)	6,040
Equity Company B 2021 (€)	187,000
Levered Beta Company B	1.34
Cost of Equity Levered (%)	11.4%
Cost of Debt Company B (Effective Interest Rate) (%)	2.13%
WACC (%)	5.5%

Attachment a) Information on Secondary Data:

Information on Secondary Data				
Variable	Year of Data	Unit	Type	Source
Access to Electricity	2020	Percentage	Standard of Living	WorldBank
Business Environment Risk	2022	Score	Country Risk	Credendo
Cheese Consumption per Capita	2011	Units	Product related	Helgilibrary
Cheese Revenue per Capita	2021	Units	Product related	Statista
Corporate Tax	2020	Percentage	Commercial Infrastructure	WorldBank
Corruption Perceptions Index	2021	Score	Standard of Living	Transparency International
Currency Risk	2022	Score	Country Risk	Credendo
Ease of Doing Business	2019	Score	Market Receptivity	WorldBank
Economic Freedom	2022	Score	Economic & Political Freedom	The Heritage Foundation
Environmental Performance Index	2022	Score	Standard of Living	Yale Center for Environmental Law & Policy
Financial Data Company B	2021	Units	Financial Overview	Orbis
Financial Data German Competitors	2021	Units	Financial Comparison	Orbis
Financial Data Portuguese Competitors	2020	Units	Financial Overview	Orbis
Food Expenditure per Capita 5-year CAGR	2017 - 2021	Units	Market Growth rates	Euromonitor
Food Imports	2020	Percentage	Market Receptivity	WorldBank
Foreign Direct Investment, Net Inflows	2015 - 2020	Units	Market Receptivity	WorldBank
GDP Annual Growth	2021	Percentage	Market Growth Rates	WorldBank
GDP CAGR % year	2017 - 2021	Percentage	Market Growth Rates	WorldBank
GDP per Capita	2021	Units	Market Intensity	WorldBank
GDP Total	2021	Units	Market Size	WorldBank
Global Snack Market	2021	Units	Product related	Statista
Hofstede Brazil	2022	Score	Cultural Distance	Hofstede
Hofstede Portugal	2022	Score	Cultural Distance	Hofstede

Households and NPISHs Final consumption Expenditure per Capita	2015 - 2021	Units	Market Intensity	WorldBank
Imports of Goods and Services	2021	Percentage	Market Receptivity	WorldBank
Inflation, Consumer Prices	2021	Percentage	Market Stability	
Life Expectancy at Birth	2020	Units	Standard of Living	WorldBank
Logistics Performance Index: overall	2018	Score	Commercial Infrastructure	WorldBank
Political Freedom	2022	Score	Economic & Political Freedom	Freedom House
Political Risk Medium/Long Term	2022	Score	Country Risk	Credendo
Population Growth	2021	Percentage	Market Growth Rates	WorldBank
Population Total	2021	Units	Market Size	WorldBank
Revenue per Capita Bread	2021	Units	Product related	Statista
Total Food Imports	2020	Units	Market Receptivity	WITS World Integrated Trade Solution
Unemployment rate	2021	Percentage	Standard of Living	Euromonitor
Urban Population	2021	Percentage	Market Size	WorldBank
France All Companies Incorporated in 2017	2021	Units	Operating Revenue (Thousands of Euros)	Orbis
France All Companies Incorporated in 2020	2021	Units	Operating Revenue (Thousands of Euros)	Orbis
Comparable Companies All	2021	Units	Operating Revenue (Thousands of Euros) Number of Employees EBITDA Margin (%) Profit Margin (%)	Orbis

Attachment b) and c) containing the meeting minutes were eliminated due to confidential information

Attachment d) Nova Sbe team visiting the client Company B

