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INTERNATIONALIZATION PROJECT OF COCKTAIL TEAM. AN IN-DEPTH ANALYSIS OF THE UK AND LITERATURE REVIEW ON ENTRY MODES OF SMALL AND MEDIUM ENTERPRISES

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Abstract

The aim of this paper is to pave the way for the internationalization a Cocktail Team, a Portuguese firm operating in the bar consulting industry. With this in mind an analysis of the Portuguese market for this sector was conducted as well as a firm analysis to assess their current situation and readiness for the project. Furthermore, multiple countries were analyzed, and four in-depth analyses were conducted resulting in the UK being chosen as the target market with the creation of an entry plan, involving a marketing and financial plan. A literature review was also conducted to complement the report.

Key words: Internalization; United Kingdom; Market Selection; International Business and Strategy; Entry Strategy; Entry Modes; SMEs

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Acronyms

CT - Cocktail Team

OECD - Organization for Economic Co-operation and Development

CMO - Chief marketing officer

MBA – Master of Business Administration

CSA – Country Specific Advantage

FSA – Firm Specific Advantage

SOP – Standard Operating Procedures

GDP – Gross Domestic Product

NEET- (young people) Not invested in Education, Employment or Training

DESI - Digital Economy and Society Index

EU – European Union

R&C - Resources & Capabilities

SME – Small and Medium Enterprise

R&D – Research and Development

IoT – Internet of Things

KPI – Key Performance Indicator

MSC – Management Service Contract

1. Introduction

Internationalization refers to a company's desire to take steps to increase its footprint or increase market share outside of its domestic country by expanding out into international markets (Internationalization: Definition, Examples, and Benefits 2022), this is the scope of the Cocktail Team (CT) internalization Project. The cocktail team is a small and medium-sized company (SME), as such it has expansion is one of the keyways to grow and increase opportunities.

This report centers itself on the development of an internationalization plan for CT, and points of improvement to be able to achieve this. The cocktail team is an event; bar consultancy and corporate team-building designer company, but the focus of this report is the Bar Consultancy business segment of CT.

This project aims to specify all sources of competitive advantage needed by CT to undertake this internationalization project as well as to access all conditions for the success of future endeavors. It is the wish also to pinpoint sources of performance limitation that my delay or impair this effort.

Finally, this project will cover five topics, internal analysis of CT operations, external analysis of CT's external environment, Country selection phase 1 where the best four potential countries are going to be outlined, and fourth topic a final county selection. The last topics covers the implementation project in the selected company couple with a financial analysis.

2. Research Methods

The objective of this project in collaboration with Cocktail Team is to create a detailed internalization plan, with all the underlying considerations of CT's position and with consideration to its respective market and performance. In this thesis, several methods for gathering information were used from qualitative (e.g. Interviews) to quantitative (e.g. world bank databases). This information was gathered also through primary and secondary means.

The scope of this research focused on the primary market of CT (Portugal), and all the impacts of the global environment had on its performance, was also taken into consideration all information related to industry-wide performance and impacts that the global environment had on it. Then an in-depth analysis was conducted to choose the country that presented the best set of conditions for entry, followed by an entry strategy analysis, Marketing plan, and financial analysis of the project.

The primary source of information used by the authors was primary data which is data gathered directly from the object of one's research (Nagib 2022), through qualitative methods. This gathering was done through two structured interviews that covered the scope of the research. In the first interview data, qualitative information was gathered relating to the first 3 chapters of this paper. The second interview was structured such that information related to entry modes, Marketing plans, and financial analysis were discussed and gathered. These interviews represented the main source of information, as these interviews provided information not widely available or structured. From these interviews, CT also provides relevant documentation such as financial information, company presentations, and product brochures among others.

Secondly, the authors used quantitative secondary information, from well-considered and reliable databases (e.g. World Bank, Eurostat, IMF), and qualitative secondary information gathered from academic journals, newspapers, and research studies.

3. Literature review

International Entry Modes for SMEs

Despite there not being a unified and universal definition as to what a small firm is, there are several legislative documents that answer this question. Within the European Union, including the withdrawn UK (GOV.UK 2022), the adopted definition of a small firm is that of one that employs less than 50 employees and an annual turnover inferior to €10M (Publications Office of the European Union, n.d.).

The US, on the other hand, has its own classification method. This standard is dependent on industry, and the values are explicitly stated by the SBA (U.S. Small Businesses Administration), according to which, for example, a consultancy firm to be considered as a small firm, must not surpass $16.5M in average annual receipts (Marticio 2020).

As for entry mode selection, as a general rule, Pan and Tse (2000) suggest that there is an intimate connection between entry modes and their required levels of resource commitment, control, and risk exposure, and, when considering Anderson and Gatignon's (1986) premise that lower levels of ownership are preferred unless there is evidence indicating the contrary, that would indicate a preference towards **low control entry modes**.

Specifically for the consultancy sector, these firms fit the pattern of a knowledge-intensive business service (KIBS), as they rely on "professional knowledge or expertise relating to a specific technical or functional domain" and are "primary sources of information and knowledge" (Windrum and Tomlinson 1999). Abecassis-Moedas et al. (2012) suggest that KIBS firms in the creative field should pursue internationalization through star-based, process-based, or glocality-based creative modes, where the first two exploit human and organizational capital, while the third leverages on physical and organizational capital. While the star-based mode aims at capitalizing on the capabilities and renown of a single individual, a process-based mode aims at developing a collection of unique processes and methods. Lastly a glocality-based mode implies the physical presence near clients by investing in local offices, making it the most resource intensive mode. When lacking a member with international renown, and physical capabilities, a KIBS firm must focus on a process-based mode by developing and exploiting inimitable processes and methods, making the entry mode about **exporting the creative process** (Abecassis-Moedas et al. 2012).

On the other hand, a tech firm's size, when it possesses innovative advantage, does not influence a firm's decision on entry mode (Li and Qian 2008), and leads companies, regardless of size, to adopt entry modes that are **self-reliant**. Despite that, it is suggested that what will influence this decision is the aggressiveness of the market, leading to large companies to adopt self-reliant modes, while small companies will opt for **partnerships**.

Another aspect with strategic relevance is the effects that a firm's network might produce in terms of entry mode selection. Ojala (2009), suggests that when entering distant markets, knowledge-intensive SMEs, consider the target country and e**ntry mode without any regard for their network**. On the other hand, the work of Battisti, Scott-Kennel, and Deakins (2021), suggests that entry modes for this same type of companies (knowledge-intensive SMEs) are affected by network patterns, of which four are identified. Two of these patterns are of firms with a closed structure of relationships, believing that "actors in the network are tightly connected with each other", and these adopt **direct exporting** as their entry mode into a foreign market. The two other patterns relate to companies with an open structure of relationships, believing that "actors in the market are only loosely connected", adopting **FDI** as the preferred entry mode.

Westhead, Wright, and Ucbasaran (2002) also assessed that SMEs do not tend to follow a systematic approach to determine which countries to internationalize to. Not just that, but these internationalization efforts mostly resort to modes such as **direct exporting**, **piggyback entry,** and **joint-ventures and partnerships**, justifying this choice with desires for cost effectiveness, speed and control over the firm's resources. Despite that, Westhead, Wright, and Ucbasaran (2002), determined that by engaging in exportation efforts, a small firm is not more likely to survive, being that the best factor to determine survivability is its access to capital, which is consistent with Westhead's previous work (1995).

Ramsey, Barakat and Monteiro (2013), also explored how cultural distance differently affects entry modes for large and small firms, where firm size is a strong moderator of entry modes when cultural distance is significant, ultimately leading to small firms **avoiding acquisitions and opting for exportation**, while larger firms do not seem to be as affected by cultural distance in their selection for an entry mode.

Regarding how SMEs approach entry mode selection, Musso and Francioni (2014), confirmed that SMEs are tendentially passive when pursuing internationalization, adopting non-systematic approaches for determining entry modes. However, it is suggested that these approaches are adopted, not due to lack of knowledge and disregard to rational choices, but rather imposed on the firms due to resource constraints.

With that, it seems that literature suggests that an SME's selection of entry modes, when the firm possesses no form of innovative or competitive advantage, leans towards the adoption of low control modes, which can result from two factors. The first, the lack of knowledge or information in the target market, accentuated by cultural distance. And second, due to resource constraints that impede the SME to pursue high control modes.

4. Strategic analysis of the company's situation

4.1. Firm overview and project background

4.1.1. Profile and Management

Cocktail Team was founded in 2005 by Hugo Silva and Lúcia Encarnação, counting with a team of more than 27 employees. Hugo Silva who Takes the role of CEO has extensive expertise in the leisure, and hotel industry being an ambassador to the Portugal Tourism Institute and writer of "250 Cocktails" having an academic background in Hospitality and Tourism. Lúcia, who has an academic background more focused on Marketing, holds the position of CMO and oversees the events business unit.

Cocktail Team has the core ambition to be the leading provider of expertise for Events, Bartending consultancy as well as provide the best up-to-date courses in its bartending school. CT has been accomplishing this through its core value of innovation being the pioneer of Molecular Mixology in Portugal. This allowed CT to differentiate itself from its competitors and provide greater value added to its clients, following the motto of *"our services pay for themselves."*

CT has been recognized several times for its work by individuals resulting in one of the highest engagements and quality reviews on google for their sector, as well as by their sizable and prestigious corporate clients such as Hilton, Sheraton, and Turim Hotels. This quality and reliability of expertise has also been recognized by several awards (PME líder 2009, Program Client Aplauso by Millennium BCP, Top 40 Cocktail Channel in YouTube and Prémio Mercúrio- O Melhor do Comércio e Serviços)

4.1.2. Product/Business Portfolio (unit in analysis for the project)

Cocktail Team is divided into three separate but complementary sets of services, Bartending school, Event planning, and Organizing and Bartending Consulting.

The first branch of Cocktail Team is the **Bartending school** which offers a range of courses from full academic projects such as the MBA in Bar Management (152 hours of course work) in partnership with Autónoma Academy which aims its courses at managers and owners of said establishments. It also offers smaller courses more focused on practical aspects: targeted management courses and courses tailored to the mastering of certain drinks.

The second branch is **Events**, divided as well into three categories: Experiences, Bar Services, and Team Building.

The Last Category and the one that is going to be analyzed in this project is **Consultancy** services. This service focuses on helping Bar owners either by identifying improvement opportunities in planning, implementation of best practices, or business consolidation.

This service aims to provide insight into the best practices and procedures through the leveraging of Cocktail Team's knowledge and experience in the Bartending Industry. This culminates in the increase of the profit margin by matching the offerings to the market as it is and where it is heading.

The focus of the consultants is on creating a bar service for the client or restructuring the operation of an existing bar service. The target interventions that Cocktail Team provides in this aspect are as follows: i) Menu engineering; ii) Service area optimization; iii) Creation of Standard Operating Procedures (SOP); iv) Certification & Training of employees; v) Advisory in equipment procurement and supplier relations; vi) Monthly reports; vii) Continuous team evaluation.

Cocktail Team consultancy, therefore, offers vast value creation opportunities for the client such as creating differentiation factors like unique experiences and cocktails, pairing restaurant menus with tailored beverages/cocktails, increasing bargaining power with suppliers and beverage companies, and finally improving relations between employees and employers. as employees see and effort to increase quality of procedures and an increase of on job training that ultimately lead to an increase of job satisfaction.

4.1.3. Operations, positioning, and strategy (generic and growth)

Cocktail Team positions itself as a high-end brand with a strong emphasis on providing premium services to companies and individuals. As previously mentioned, the company's operations focus on three primary areas, namely **consulting, education, and catering**.

The company aims at being a full-service provider for individuals and companies that are active in the hospitality industry, primarily working with premium hotel chains and luxury bars within their consulting segment to improve bartending services. Currently, the strategy is based on extensive knowledge and expertise in the hospitality industry and their extensive network of bartenders educated by them and hotel chains in cooperation with them.

As far as the growth strategy of the company is concerned, the services they provide are highly scalable, however, there are significant differences between business units in terms of scalability. Firstly, the consulting and the education segments can significantly grow at a global scale thanks to people's general adoption of online learning and home office work. While theoretical education is scalable without limits when materials are made available online, on-site practices require qualified trainers spread across the world. The consulting segment is very similar in this regard. The catering services are not very scalable as there are high material and human resources requirements that need to be available on-site, but with the help of new partners and by leveraging a potential future global presence in the first two segments the company might be able to expand its catering operations significantly.

Their growth strategy is mainly based on the company's good reputation and its existing partnerships with international hotel chains. They would like to leverage their expertise and offer their services on a global scale instead of being only present in Portugal.

4.1.4. End-user product/service to be internationalized

The services that can be internationalized are the consulting and education services that the company offers. By leveraging the knowledge the company has in the area of cocktail making, catering, and hospitality in general, the two businesses can mutually strengthen each other's position by leveraging synergies between them.

The company's main goal is to **internationalize the consulting** services as they believe, that is the segment they are most competitive in, and the one that is the easiest to scale. According to the Company, in this segment there is no serious competition as most of the bars and hotels manage their services on their own. However, many hotel chains are struggling to offer a standardized and stable high-quality bartending service as there are no chain-level standards and common education for bartenders. This unreliability of bartending service can harm hotel chains' business in the long term by undermining confidence in case they have poorly performing bars in some locations. The company believes that it can solve this problem by partnering with bigger hotel chains and winning contracts to develop chain-level service standards and thereby evolve from a local company to a global one.

4.1.5. Financial situation

Regarding the Financial performance, with the aim of having an overview of its performance its **Profitability, Capital Structure, and Liquidity** were analyzed. Regarding the profitability of Cocktail Team, it closed the year 2021 with a positive net result for the first time since 2019. The financial performance improved significantly after the blow of the Covid-year in 2020 when the company lost more than 20 thousand Euros, however, it has just reached profitability with a little more than 2000 Euros in net results. Its Return on Equity, an important metric to decide whether the company is producing enough to match the cost of its capital, was 4.31% (Appendix 3).

The capital structure of the company changed significantly, mainly due to the company having negative results in 2019 and 2020. The debt-to-equity ratio grew from 80.3% to 118.2% (Appendix 3), which means that CT had more debt than equity at the end of 2021. Parallelly with these processes, its equity values dropped by 21%. However, there have also been positive changes in the financing of the company as they managed to secure a long-term credit agreement, thereby creating a more sustainable and safe solution for their operations.

Finally, regarding the liquidity ratios, across the Cash, Quick and Current ratios there is an increase in the liquidity of CT. While the cash ratio decreased in 2020 as part of the cash reserves being used to face the effects of the Covid-19 pandemic, the others had an increase over the last 3 years, being the Cash, Quick and Current ratios of 2021 122.91%, 174% and 270% (Appendix 3) respectively. This increase is due mainly to the increase of the short and long-term debt, increasing the leverage of CT, all leading to a decrease in Financial Autonomy (ability to face its short and long-term debt), this effect is also shown with the decrease of the Solvency ratio, decreasing from 124% in 2019 to 84,63% in 2021, showcasing a decrease in the ability to cover its obligations with equity and being increasingly dependent of external capital to cover its obligations.

As this analysis shows, CT is not in a precarious financial situation, as recent moves in financing and reserves managing have increased their strength. Nonetheless with the increase of Euribor and subsequently increase in financing expenses due to the rise in interest rates, CT might no longer have the financial capability for an internalization process.

4.2. Market/Industry Analysis

4.2.1. PESTEL analysis:

The PESTEL analysis is a framework originally created by Harvard professor Francis J. Aguilar designed to evaluate a firm's business environment and is divided into: Political, Economic, Social, Technology, Environment, and Legal factors that might have an impact on a firm (Frue 2017). Beginning with **political** factors, Portugal is classified as being a working democracy with a democracy index of 0.864 (0-1) (Universität Würzburg 2020), it has minimal political risk (1 out of 1-7) as it would be expected of a European country (Credendo 2020). When it comes to corruption Portugal is positioned 16th out of all countries in Europe and 32nd worldwide (Trading Economics 2021), meaning that corruption should not present itself as a major obstacle. By being a member of the European Union since 1986 (European Union 2022)

Portugal benefits not just from being part of the Schengen Area enabling *"every (...) citizen to travel, work and live in an EU country without special formalities*" (European Commission 2022) but also the common currency (the Euro) which eases commerce with other member countries. To encourage exports the Portuguese government created in 2007 AICEP (Agency for Investment and Commerce Externally of Portugal) which, among other things, aids in the creation of internationalization strategies, access to their digital channels and business matching services (República Portuguesa 2022). Being part of the Portuguese Ministry of the Economy and Maritime Affairs, "Turismo de Portugal" is the national tourism authority and is responsible for the promotion of Portugal as a tourism destination and sustainable development of the tourism industry in Portugal (Turismo de Portugal 2022).

For **economic** factors starting with the tax rate, more specifically the current corporate income tax for Portugal which is 21% making Portugal the 15th country with highest corporate tax rate in Europe. According to the 2022 index of economic freedom created by the Heritage Foundation, Portugal sits at 21st place in Europe and 31st in the world (The Heritage Foundation 2022) which entails that the citizens of that country have the right to "control his or hers own labor and property" (The Heritage Foundation 2022). It is relevant as *"The ideals of economic freedom are strongly associated with healthier societies, cleaner environments, greater per capita wealth, human development, democracy, and poverty elimination"* (The Heritage Foundation 2022). The Portuguese gross domestic product (GDP) for 2022 is expected to be around €230 Billion (Fundação Francisco Manuel dos Santos 2020) which constitutes a 6,96% increase over 2021 which was the year in which Portugal returned to pre-covid GDP levels. The tourism sector was especially hit by the pandemic as tourism imports and exports dropped a whopping 62% between 2019 and 2020 (Fundação Francisco Manuel dos Santos 2021). Still, in 2021 the sector hasn't recovered to pre-pandemic levels with a drop of 51% between 2019 and 2021, despite that, there is hope that the sector will soon return to pre-pandemic levels with the easing of restrictions and an increase in confidence by the public.

Moving on to the **social** dimension, as of 2021 Portugal currently has a population of approximately 10,361 million people (Fundação Francisco Manuel dos Santos 2021), 49.71% of which are active and 6.6% unemployed. Setting our sights specifically toward the younger generations that are able to join the labor markets we have NEET (young people Not engaged in Education, Employment or Training). This category reflects young people that may be having difficulties in joining the labor markets and it serves as an indicator to supplement the unemployment rate (Work4youth 2015). For youth, it is considered people between the ages of 15 and 34, and as of 2020, Portugal has a NEET population of around 11,6% placing it in 13th place in Europe (Statista 2020). For the tourism industry, in August this year (2022) the incoming tourists originated primarily from Spain (15%), the UK (14%), France (11%), and the US (9%) (Turismo de Portugal 2022). Additionally, the aging of the European population can and most likely will have an impact on consumer preferences for tourism destinations.

When it comes to **technological** factors, the worldwide pandemic has brought forth major advances not only in the ability to work remotely but also in e-commerce, implying simultaneously a technological and digital transformation, as well as a social one. The ability to look for talent regardless of its location can give an advantage to knowledge-based industries. Looking into the digital economy and society index (DESI), Portugal as of 2022, is in 15th place having dropped one place since 2020 placing it now below average for Europe's standards (European Commission 2020). The Covid-19-induced digital transformation forced the tourism industry to evolve which it did not just by embracing contactless payments but also full digital check-in and check-out (Revfine 2022), although this last one wasn't fully embraced by the industry. Another innovation that is starting to take place but is still in its early stages is the integration of IoT and the use of big data for predictive analysis. Furthermore, the rise of Airbnb as an alternative to the traditional hospitality industry is on one hand an opportunity for individuals or small firms to join the industry and on the other a threat to the industry balance.

Nowadays **environmental** factors are of huge concern with the advent of climate change, which demands that actions must be taken to slow down and revert climate change. By being a part of the European Union Portugal takes part in "The 8th Environment Action Program" (European Commission 2022) which represents the European Union's environmental and sustainability goals. Shifting to the Portuguese environment, Portugal's attractive locations, beaches, and welcoming populations make it a desirable destination for tourists with people from all across Europe and the world choosing Portugal as their holiday destination (Moreira 2020). This results in a significant tourism sector, especially close to the coast which is a significant source of the country's GDP. There has also been an increase in plastic pollution due to an increase in the use of disposable products like face masks and hand sanitizer bottles as a result of the pandemic which is worsening an already dire situation when it comes to plastic pollution (UNCTAD 2020).

Wrapping up with **legal** considerations, when a customer wants a service from the consultancy firm, before a firm can start the work required there needs to be a formal contract stipulating factors such as: what is being asked of specifically of the firm, compensation for the service and finally, although not mandatory, the timespan in which the service will be provided

Being that consulting is not a regulated field, the legal requirements for operations don't differ a great deal from other types of business (Ivanova 2017).

4.2.2. Porter's 5 forces:

This framework, created by Michael E. Porter, breaks down the level of competition in an industry into 5 different forces: the threat of new entrants, threat of substitute products, bargaining power of suppliers, bargaining power of buyers, and rivalry among existing competitors (Porter 1979).

Starting with the **threat of new entrants**, it is characterized by the threat of a new player joining the market and stealing market share. Big barriers to entry lead to a less credible threat of entry, which can be presented in the form of: i) high capital requirement to start operating, ii) brand loyalty between consumer and firm, iii) know-how required and iv) switching cost of a customer. For the consulting sector, there isn't a great deal of capital required to enter this market, a significant barrier is however the experience required to provide a value-adding service to the client. Specifically for hospitality consulting this knowledge is usually acquired throughout several years of working in the sector, amounting to a considerable hurdle for newcomers who may lack the know-how. The result is also that there are significant economies of learning for the quality of service that a firm can provide

All in all, there are sizeable barriers to entry leading to a medium to low threat of new entrants, which contributes to decreasing competition within the industry.

For the **threat of substitute products** in this industry, which is defined by the ability of similar products/services to replace the product/service that the firm is providing, the concern isn't great. The main alternative to the service that this industry provides is on one hand no service at all, or on the other hand, a client could try to take on the tasks for which they are seeking help which requires significant know-how which may be hard to come by.

Summing up, there are no threats of substitutes worth mentioning leading to a low threat of substitute products contributing to a decrease in the competition within the industry.

Delving into the **bargaining power of suppliers**, it details the relative power the suppliers have over your firm, factors that lead to a supplier having high relative power are among the following: i) switching cost for the firm, ii) number, size and concentration of suppliers, iii) importance of supplier's product quality, iv) credible threat of vertical integration by the firm.

Being that firm mainly offers a service and not a product, other than specific software that the firm uses to conduct their activities all other products/services that the firm requires are highly commoditized meaning there is no distinction between different suppliers' products other than cost (e.g. office supplies). Here the power of these suppliers is very low as there are virtually no switching costs and a considerable number of possible suppliers.

When it comes to the specific pieces of software that are used by a firm it takes a turn. Being that some of the software is essential for day-to-day operations there is substantial dependence on the software providers not just because of the time necessary to become proficient in using them, both at the individual level and at the company level, leading to switching cost, but also due to the few options to choose from, which leads to a medium supplier power in this area.

In both categories analyzed the credible threat of vertical integration (i.e. in this case a supplier offering the same product as the firm) is non-existent. The bargaining power of suppliers is medium entailing a slight contribution to the increase in competition within the industry.

Rivalry among existing competitors is a crucial factor in determining the competition within the industry, where some factors that characterize this force are as follows: i) number, size, and concentration of competitors, ii) diversity of product offerings, iii) market penetration and market growth, and iv) switching cost.

Being a niche service there is not a big number of providers, and the existing ones are small in dimension, however even though there is a large number of potential clients, in practice few of them actually seek these firms which makes even a few firms already too many for the current demand. Their offerings range from just bar catering for events to bartending courses, to actual advisory with even a smaller percentage of players covering all these services. Furthermore, and focusing on advisory, the demand for this type of service is increasing which together with low overall market penetration results in room for competitors to grow without stepping on each other toes. Finally given that the relationship between consumer and firm is crucial for service quality there are some switching costs associated with moving to a different provider, also because of the lack of possible options. To conclude the rivalry among existing competitors is moderate to low contributing to low competition in the industry.

Onto the **bargaining power of buyers**, it pertains to the relative power the buyers have over the firm, much like the supplier power but from the buyer's perspective, in which relevant factors are: i) switching cost for the buyer, ii) number, size, and concentration of buyers, and iii) importance of the firm's product quality. As mentioned above there is a need for confidence between the buyer of the service and the service provider. Even though a relationship between both parties is beneficial to service quality it isn't a significant factor when a client considers to switch to another firm's service which contributes to a better bargaining position on the buyers side. Firms that offer a similar service are few and of small dimensions as mentioned before, even though the service that this industry provides can potentially benefit a significant number of bars, only a small subsection of them actually seek the service. The lack of availability of alternatives for buyers also limits their bargaining power.

All this entails that the relative power of buyers is moderate contributing to the competitiveness of the industry. Considering all five forces the competition in this industry is **moderate to low.**

4.2.3. Consumer Trends and Forecast

After an interview with the Cocktail Team's Marketing Director, an existing trend in the industry that was identified is that hotel chains are seeking to increase efficiency across their multiple locations. Moreover, there is also an increasing desire among hotel chains for all their locations to have a similar service and customer experience regarding their bars service and paring of the bar and restaurant services, with the aim of increasing margins and reducing employees turnover, as well as maximizing synergies of their collaboration.

Looking into the consumers (the actual people that go to the bars, hotels, etc.), a new trend is the rise of alternative spirits and beverages in the bartending sector, which may be a result of more health-conscious generations (Glimpse Performance Insights 2022). It may test establishment’s ability to adapt to new consumer tastes and an opportunity for bar consulting firms, such as CT, to offer their services.

4.2.4. Key Industry Success Factors

Key industry success factors, as the name implies, refer to all the different characteristics that a firm should or must have in order to be successful (Ketelhöhn 1998). Considering that the industry the firm operates in is consultancy, there are multiple factors that are essential not just for the growth but for the survival of a firm.

The first one is **industry experience**, in a knowledge-based industry like this one knowledge and experience are the pre-requisites for providing a value-adding service to the consumer. On top of that, **adaptability**, the ability to think outside the box when facing new and different challenges, also goes a long way for firms working in this industry making them valuable assets for their clients, this also means that they should have increased **market awareness**, to be able to match what they are offering to the current events.

Next up is being **up to date** with new technologies and procedures which places the firm in a privileged position to guide clients and provide a higher-quality service. Furthermore, and depending on the dimension of the firm, there should be the ability to **attract and retain talent**, as a knowledge-based industry talent is at a premium the ability to attract and retain talent directly relates to the quality of the service that you can provide.

4.2.5. Country Specific Advantages

Being an integral component of the CSA-FSA (Porter’s diamond), country-specific advantages relate to any kind of resources whether physical, intellectual, or cultural that can give a firm from a certain country a comparative competitive advantage in relation to an otherwise equal firm from a different country that does not possess the same resources (Scientific Reserarch Open Access 2016).

When evaluating the specific competitive advantages inherent to Portugal in the hospitality and bar industry, it is important to mention the good reputation that Portuguese workers in the sectors of bar and hospitality have acquired over time, which is speculated to be due to the Portuguese people's welcoming culture. This translates into a desire of foreign companies in the hospitality sector to work with and employ Portuguese people, or at least receive training from them. In the case of a Portuguese hospitality consulting firm moving to a new country, there would be brand equity boost resulting from the previously mentioned notion.

Another advantage worth mentioning is the cost of education in Portugal, when compared to other first-world countries. Portugal's costs are below average when compared to other OECD countries and among the lowest when compared to the rest of the European Union (OECD 2018). This is one of the biggest factors that led to Portugal's increase in interest by foreign students.

To assess the competitive advantage of Portugal in the international market a Porter's diamond analysis was carried out. According to "The Competitive Advantage of Nations" by Michael E. Porter (1990), a country's ability to provide competitive advantage is divided into four attributes in relation to the industry in question: i) Factor Conditions, ii) Demand Conditions, iii) Related and Supporting Industries and iv) Firm Strategy, Structure, and Rivalry.

The first attribute, **Factor Conditions,** relates to the country's infrastructure, production capabilities, and output of skilled workers. For the case of CT, production capabilities and infrastructure beyond the basics of a developed country are not relevant as it's a knowledge-based industry. Looking into skilled labor, Portugal, with its developed tourism and hospitality sectors has many different universities that offer the relevant courses to train this type of workers. Portugal's welcoming culture and international good regard for its hospitality workers, and ample opportunities for work in the sector further magnifies this effect. When it comes to the consulting aspect the country also possesses extensive business schools with four of them in the Financial Times University Rankings of 2022.

The second attribute, **Demand Conditions**, describes the demand of the country for the selected industry. Given that Cocktail Team operates on a niche there isn't much demand. It is characterized by individual bars and hotels of small dimension, and the franchisees of more significant hotel chains. According to information provided during the interview with a Cocktail Team member, demand for this service has been increasing recently, specifically among hotel chains. Given that Portugal's tourism and hospitality sectors are highly developed, the expectation for the kind of service that CT must provide is quite high. It forces CT to keep their service quality as a priority which makes them well equipped to enter other markets where expectations might not me on the same level.

The third attribute, **Related and Supporting Industries**, considers the existence, or lack thereof, of industries that support the one in question contributing to an increase in international competitiveness. The bar consulting industry is dependent on the industry to which it provides their service, particularly hotels and bars. The performance of bar consulting relies then on the performance of bars and hotels, both of which suffered immensely due to covid although they are showing signs of recovery. The education industry, specifically for hospitality is well developed in Portugal due to the countries sizeable tourism sector with many schools and universities that provide education in this sector. Furthermore, Portugal's costs in education are below average when compared to other OECD countries and among the lowest when compared to the rest of the European Union (OECD 2018). This is one of the biggest factors that led to foreign students increased interest in Portugal.

The fourth and last attribute, **Firm Strategy, Structure, and Rivalry**, pertains to the way firms are organized and managed along with the competition in the domestic market. As analyzed previously in the Porter's 5 forces analysis the competition in this sector in Portugal is not exceedingly severe as it's a niche market with a few competitors all small dimension, each offering some of the 3 services that are provided by the industry: event catering, bartending school and consulting in itself.

4.3 Firm Competitive Advantages

4.3.1 Firm resources & competences

To better understand CT as a firm we need to understand its resources, which are presently used in all its activities. These resources aim *to "design, produce, market, deliver, and support its product,"* which are present in a value Chain (M. Porter 1985). According to this theory, activities can be divided into primary activities, which consist of the value chain's core activities that aid businesses in gaining a competitive edge in the markets in which they operate, and supporting activities, which consist in supporting primary activities to create and deliver value to customers. With this aim a value chain was created:

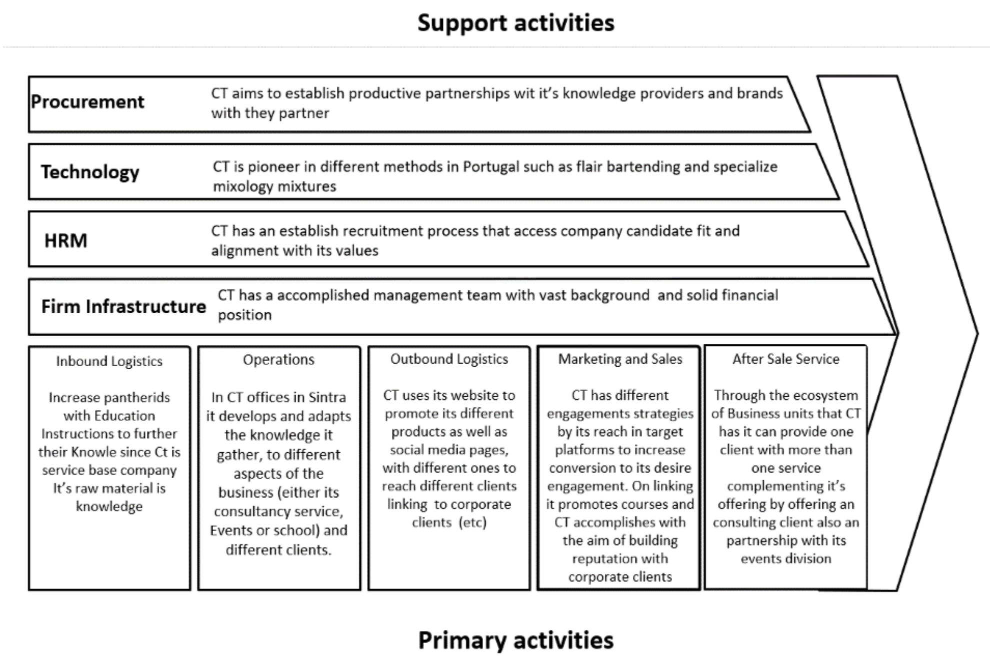

Figure 1-CT Value Chain

In CT value chain shows the main activities that provide support to CT in the value-creating process and help sustain its existing competitive advantages. A firm needs to have ongoing capabilities that come from the efficient assembling of its resources if it wants to obtain a competitive edge (Danneels 2012). The Resource-Based View, proposed by Barney (1991), posits that firms are composed of Resources and Capabilities (Musuva et al. 2013). These resources can be classified in a variety of ways. For example, Barney (1991) identifies three types of resources - physical, human, and organizational capital. Brumagin (1994) describes a hierarchy of resources with four levels - production/maintenance, administrative, organizational learning, and strategic vision. The first level is the least advanced, while the last is the most advanced. A common way to categorize resources is to divide them into tangible and intangible (Alvarez and Barney 2007). Tangible resources consist of financial, physical, technological, and organizational resources, while intangible resources include human, innovation, and reputational resources (Barney 1991). Competences can lead to capabilities, that in turn, transform themselves into abilities that allow a firm to accomplish its goal in a competitive market (Ray 2006). Cocktail Team's resources will be analyzed according to Barney's (1991) classification, describing the company's physical, human and organizational resources, and with a base on CT Value Chain (Figure 1).

<u>Physical capital</u>: In a knowledge-intensive industry such as the Company's business, physical capital is not excessively important. However, through the **accumulation of knowledge** and the organization of know-how, the company also collected a significant amount of cash and tangible resources.

<u>Human capital</u>: The key factor for the company's success is its **highly skilled team of mixologists** that possesses superior knowledge in cocktail making and bar management. This knowledge accumulation took years for the company and is a great asset. Employees of the company are well-trained, experienced, and renowned in the market. Apart from the consultant team, the **managing team of the company** can also be considered a great asset because of its extensive experience in the industry and its enthusiasm for the company.

Organizational capital: Another essential element of the firm's resources is the sets of organizational capital it gathered over the years. By having talented and energetic mixologists organized into a team, the company can create **mutual knowledge transfers** thereby creating more added value. The information and sales systems that the company operates are valuable as well and complemented with a supporting culture, they also function as a crucial resource of the company. The three business segments also function as a significant asset, enabling the company to circulate expertise and **create an ecosystem across the three segments** and exploit the synergies among them. Another valuable resource is their already existing partnerships with well-known brands. By cultivating these, they maintain a supreme position relative to their competitors, as the industry is very sensitive to human relationships and trust in the consultants' knowledge. Apart from this, their long presence and expertise allow them to promote their **knowledge and information access on the market.**

Having analyzed CT's resources, now target its competences which are its knowledge of local markets across its 3 different segments and key insights, that provide a key competence; CT customer relations and fulfillment of proposed targets are also a core competence that is well characterized in its 5-star review in google (250+ reviews).

4.3.2 Firm competitive advantage (VRIO)

In the previous analysis Cocktail Team's Resources and capabilities were identified, now the aim is to understand how these provide a competitive advantage / how they position the firm in relation to its competitors, and how CT's team aims to maintain its long-term performance. For this purpose, the VRIO analysis framework was employed to identify its resources and capabilities that are Valuable, Rare, Inimitable, and Organized (Barney 2002), these criteria being the foundation for sustainable competitive advantage.

Firstly, Cocktail Team's main capability will be analyzed. Its know-how as a source of competitive advantage, which is very Valuable, and very difficult to Imitate, having taken several years of work in the industry, tending to the individual needs of different clients to achieve Cocktail Team's level of expertise. This capability is the foundation of Cocktail Team and as such, it also fulfills the organizational requirement. In short, CT's know-how is the main driver of its competitive advantage and sustainable competition.

Secondly, the company's already existing relationships with its clients are also very valuable in the market. Due to the size of the market and the small number of competitors, this position is quite Rare. As far as Inimitability is concerned, creating such relationships would take a lot of time and effort. Moreover, the market might not be big enough for another firm to profitably invest so much in the acquisition of such positions.

The expertise on the market is also Valuable, as it allows CT to provide a higher-quality service. However, it is not the only company that has experience in the industry, thus it cannot offer a sustainable competitive advantage.

The brand of the company is Valuable on a local level and has some appreciation globally due to its many students, however, it is not Rare globally.

Finally, regarding the Ecosystem of synergies among the segments, it is a Valuable and Rare capability as it helps sustain and keep up to date resources and Capabilities (such as Know-How), nonetheless this capability is neither Inimitable nor Organized.

Most important R&Cs	**V**	**R**	**I**	**O**
	Valuable	Rare	Inimitable	Organized
Know-how of mixologists	✓	✓	✓	✓
Existing relationships with clients	✓	✓	✓	✓
Expertise on the market	✓	X	X	X
Established and trusted brand	✓	X	X	X
Ecosystem of synergies among the segments	✓	✓	X	X

Figure 2- Vrio analysis

4.4 Diagnosis for Internationalization

4.4.1 SWOT Matrix

A SWOT analysis was carried out, in order to get a better understanding of Cocktail Team's current situation. With this framework, internal strengths and weaknesses of the company were identified and compared against the external threats and opportunities of the market (Bertelsen 2012).

Starting with the **Strengths**, the excellent reputation and recognition that the company managed to achieve at a national level must be considered, being so that as of the time of writing this paper the company is rated at an average of 5,0 out of 5,0 across 273 Google reviews. Coupling that with the fact that the company was established back in 2005, providing the 27 employees within it with competitive amounts of knowledge of the market and technical know-how, along with their ability to keep themselves updated on market trends, makes CT a company with potential for further growth in the market.

On the other hand, regarding **Weaknesses**, it must be mentioned that the firm's negative results during 2019 and 2020, together with the reduced positive earnings of 2021, place the firm in a financially fragile position. Also, while Cocktail Team has a strong name in the Portuguese market, this does not translate into strong brand recognition in foreign markets, which when considering the lack of a network outside of the home country, can make the internationalization process a hazardous venture.

Considering now the external elements, the biggest **Opportunities** are the Portuguese workers and companies that have a very strong international reputation in the area of hospitality, something that Cocktail Team can heavily capitalize on. Not only that but we must not forget the professional relationships that Cocktail Team managed to build over the last years that include international hotel chains, which can be exploited to gain access to the international market. Also, to add to this last point, it should also be mentioned that the managing team currently holds the role of ambassadors at several Mixology-oriented organizations, putting them in a situation in which they can more easily expand the company's network. Nonetheless, as a **Threat,** Cocktail Team must keep in mind that there is currently a heavy shift into alternative spirits and beverages in the bartending sector (Glimpse Performance Insights 2022) while the company opts to still focus on the more traditional products, running the risk of lagging behind the competition by not keeping up with industry developments. Also, it must be considered how there are other alternatives in the market to the traditional cocktails that are both cheaper and more convenient for the less demanding consumers.

4.4.2 CSA-FSA Matrix and Porter's Generic

By creating a CSA-FSA Matrix (Appendix 4), it is possible to explain the optimal organization of an MNE's (Multinational Enterprises) international operations (Hillemann and Gestrin 2016). The goal of the matrix is to assess if a company would be placed within the third quadrant, which, when in the case makes a compelling case towards the internationalization of a company (Hillemann and Gestrin 2016). Regarding the firm-specific advantages, when compared to the competition, only two elements are worth mentioning as unique, that would hint at strong advantages that Cocktail Team has over its competition. First, its relationships with hotel chains, which proved to be successful in the past, although not unique to CT, is very difficult to imitate. Not just that, but CT also has a large team of mixologists, providing it with extensive amounts of human capital. That said, no other Firm-Specific Advantage is particularly strong, and the ones that are can potentially be imitated in the long term or with access to large amounts of capital, ultimately, leading to medium levels for CT.

Regarding the Country-Specific Advantages, Portugal has developed a reputation for strong capabilities in the Bar and Hospitality sectors that when matched with the ability that Cocktail Team possesses in terms of educating highly competent bar workers and providing accurate and useful consultancy services, can prove to be strong assets for internationalization and differentiation among the competition. Additionally, Portugal also benefits from strong Factor Conditions in the way that Portugal supplies its students with strong infrastructures for the learning process, especially in the bar industry, which can strongly aid CT. All of these factors lead to mid to strong levels of Country-Specific Advantages for Portugal in the hospitality sector and supporting industries.

Regarding now Porter's Generic Strategies these are, at the broadest level, internally consistent strategies for creating a defendable position in an industry and perform potential competitors (Porter 1980). Michael Porter identified 3 different strategies that can be either pursued individually, or in conjugation with other generic strategy, these being: i) Overall cost leadership, ii) Differentiation, or iii) Focus.

Following a cost leadership strategy means that a company would commit to maintaining cost advantage over the competition allowing for wider reach in the market by keeping the costs of production as low as reasonable (Dewey 2021). Through differentiation the goal is to focus instead in providing the market with a more unique product or service that are focused on product characteristics that are more sought after by the end consumer (Dewey 2021). Lastly, focus, rejects the idea of trying to appeal to the broad market and, as the name implies, focus on a very specific product or service, trying to instead dominate a niche.

Porter also explored a list of requirements, both in term of "Commonly required skills and resources" and "Common organizational resources" that should be kept in mind when opting for a certain strategy. A company seeking a cost leadership strategy should possess not just skills and resources such as access to capital, intense supervision of labor, but also a rigorous control of its costs, efficient organization structure, and a compensation package that incentivizes meeting highly specific goals. On the other hand, when following a differentiation strategy, a company should possess strong marketing abilities, creative flair, strong capabilities in basic research, reputation for quality leadership, long tradition in the business, subjective measurements and incentives, and amenities to attract skilled workers. Lastly, a focus strategy should follow all the aforementioned characteristics but direct them to the industry that they desire to follow.

Seeing as Cocktail Team, in its current state, can much more easily attain Porter's subjective attributes, Cocktail Team should follow a focus and differentiation strategy, by trying to capture a specific segment in the bar industry, getting hold of a niche, and differentiate themselves from other players in the market that way.

4.4.3 Motives for Internationalization

Through the internationalization process, a company aims to keep their competitive advantage, sustain its profitability in the longer term, and most importantly survive (Kubíčková et al. 2014). Even though scientific literature suggests several possible methods for classifying internationalization process motives, such as: i) internal-external motives (Korsakienė and Tvaronavičienė 2012), where the internal ones are all those related to influences arising from within the company itself, and external are those factors exogenous to the firm in its domestic market or foreign ones (Mwiti et al. 2013); ii) push and pull drivers, which are influenced bya firm's objectives as well as competitive position, the environment they're present in, resources and capabilities, and firm strategy (Onkelix and Sleuwagen 2008); and lastly, the motives we are focusing on iii) resulting from a survey conducted by the OECD on SMEs, including those located in Portugal, such as is the case for Cocktail Team. These motives can be: i) growth-related, ii) knowledge-related, iii) network and supply chain, and iv) domestic market drivers, which will be individually analyzed below.

Regarding growth motives, these can be translated into the desire for business growth, increase in market size, stronger market position, and reducing the dependence on a single market. In

CT's case, this is a very strong motive since not only does it rely solely on the Portuguese market, but when competing in such a niche segment, growth rate can be minimal.

As for knowledge-related motives, this describes how elements such as R&D investments, innovation capabilities, unique products or technologies, and language skills might trigger an internationalization-seeking reaction. Although CT has no experience in internationalization, it does have a deep understanding of the bartending industry, and together with the previously mentioned reputation that Portuguese companies have in the hospitality business, CT can become highly competitive in this niche market.

Moving into the network ties it must consider the fact that past clients of CT have been hotel chains that are already established at an international level, such as Sheraton and Hilton. CT can exploit these pre-existing relations and seek out clients in these outside markets.

Lastly, regarding domestic market drivers, limited and stagnated domestic markets can be a pushing factor towards international markets. Within CT, there is the idea that growth opportunities are more and more difficult to come by in the Portuguese market, which, when mated to the covid epidemic and increasingly more unpredictable economy, further pushes CT to look into the foreign market as an alternative.

4.4.4 Global Readiness

In this next step, an analysis of how ready Cocktail Team is to pursue internationalization efforts was conducted. This must be done because assessing the motives is not enough, since there is still the need to evaluate if the company possesses enough assets and specific capabilities to face the obstacles inherent to this process (David and Cariou 2012). So, for this purpose, an analysis with the help of an adapted version of the CHROME Framework (also known as the international qualification framework) will be carried out. The CHROME framework results from an update, by Jean-Paul David and Guillaurme Cariou in 2014, to the Delphi method. This version uses more variables than the original, evaluating 6 elements so that a formal analysis on how ready CT is can be performed. These 6 variables are: i) the **C**ompetencies of the managers assigned to the internationalization project, ii) the **H**eritage of the SME within international markets, iii) the **R**elationships the SME maintains abroad, iv) the **O**fferings that the SME has earmarked for international markets, v) the **M**eans at the disposal of the SME for carrying out its internationalization strategy and vi) the **E**ngagement of the SME's management in the internationalization project (David and Guillaume 2014).

To apply this framework, each of the 6 variables will be subdivided into sub-elements graded on a 0-5 scale, where 5 is the most prepared and 0 the least. Then, 2 different calculations were performed: i) a calculation of the average grades of each variable, which allowed for graphing the results to better visualize the areas in which CT underperforms; and ii) the sum of all scores spread across the variables to match it against the grading system created by the authors. In total, 20 sub-variables (of the proposed 21 base ones by the authors) were used after having selected those that were most adequate considering the industry that CT acts in.

Variables	Sub-variables	Score	Mean
Competencies of Management	Training in international business	4	3
	Knowledge of foreign markets	3	
	Knowledge of foreign languages	4	
	Experience in international business	1	
Heritage	Prominence/recognition of the firm globally	0	0,25
	Intellectual Property held	1	
	Presence in foreign markets	0	
	Lessons learned from the internationalization experience	0	
Relationships	Branches, foreign subsidiaries, etc.	0	0,333333
	Established business relationships in certain countries	1	
	Internet presence of the SME abroad	0	
Offerings	Assets, handicaps related to products, services or solutions pertaining to an international expansion	4	4,666667
	Adaptability of the SMEs products, services or solutions with respect to new foreign markets	5	
	Adapted or adaptable pricing structure and financial modalities for foreign markets	5	
Means	Financial health of the SME	2	2,5
	Access to financing or new capital	3	
Engagement	Top management's availability to dedicate time to international activity	4	3,5
	Top management's preparedness to invest in the international venture	3	
	Level of risk tolerance	3	
	Motivations, objectives, targets, scenarios and economic models pertaining to the internationalization project	4	
Number of variables	20		
Final Standardized Score		94	

Figure 3-CHROME Framework

From the results (Appendix 5) we can see that, while the Heritage and Relationships variables are weak due to never having made any internationalization efforts, the remaining ones show some potential, mainly in terms of Engagement as CT is committed to the internationalization efforts and offerings due to the above average quality of service that they are capable of providing to clients.

The framework also instructs to sum all the scores across the sub-variables to achieve a total score out of 100 (0-5 score across 20 variables) and compare these against the results that the authors obtained (it should be noted that the score had to be converted from a 0-100 scale to a 0-200 scale to match the one used originally due to the use of more sub-variables by the authors). The overall score came up to 47, or 94 when converted to the authors' standardized scale.

According to this scale, any company with a total score below 81 should abstain from pursuing internationalization efforts, placing it in an Impasse stage. The authors then mention 3 other possible stages in which a company might fall into: i) Entry-Level Pass, when between 81 and 120, ii) Mid-Level Pass, between 121 and 160, or iii) Passe-Partout when above 161; meaning that CT fits within the Entry-Level Pass stage. From the authors' research of 54 SMEs with no internationalization experience, the average score was 105.8 out of 200 which places CT below average but with sufficient capabilities to pursue an internationalization project nonetheless.

Hence, even though CT's global readiness is not exceptional, it should not be disregarded entirely, which allows to proceed further with Cocktail Team's internationalization strategy.

5. Country selection- Phase 1

5.1. Country Selection Criteria

The overall analysis process of country selection begins with a data pool for all 191 countries in the world. This chapter is going to explain by what criteria this pool of countries was cut down to the final number of 73.

This process begins with the identification of the variables to be used in the selection process, and for the County Clustering and Ranking. The delimitation of these variables was done in communication with Cocktail Team to better serve their specific requirements of which types of countries they wanted to be considered.

We identified and collected data for an initial 29 variables (Appendix 6) which include variables collected from data sources such as The World Bank, IMF, World Health Organization, the Hofstede Institute, and the Passport database, among others. These variables touch on topics such as general country information (Population; GDP; English Proficiency; etc), Industry-specific information for the alcohol industry, and cultural habits (Consumer expenditure in spirits; the average price of 500ml of spirits; etc) as well as other subjects such as industry-specific for the hotel and dining industries.

The selection process of the final pool of countries was initiated by cutting out the countries with the least amount of data for the 29 variables, due to performing rigorous market analysis for each country would not be possible. This led to 74 countries being cut off from the initial data pool (117 countries left). In this process, only countries with a lot of missing data were cut out as some with a few missing data points were left to be analyzed. Additionally, all countries at war or under embargos, or highly unstable were ruled out, leading to a pool of countries of 103 countries.

As a requirement from Cocktail Team distance to Portugal is to be considered in this process, as they prefer to first explore their option closer to Portugal, to facilitate overseeing and coordination of future investments. So, all countries more than 10 thousand km away from Portugal have been taken out of consideration in this analysis, this led to 16 countries being ruled out during this stage, leaving the data pool at 87.

Finally, the last criterion for exclusion of countries was the Ease of Doing Business criterion. Countries with a score of less than 50 in the ease of doing business index were excluded, going in line with the disjunctive model rationale that underlies the foundation for decision-makers to consider only those countries that exceed specified levels on some variables, regardless of their standings on other dimensions (Arnt Buvik 2002). Ease of Doing Business provides a weighted analysis of each country's market conditions, encompassing analysis of barriers and cost of starting a business, evaluates the difficulty of getting construction permits, electricity, registering properties, getting credit, and trading across borders (World Bank 2019) among other criteria. With such a vast analysis of each market by this analysis, we set the minimum requirement for consideration in the process of the country selected to be 50 points. With this hard barrier in place, out of the 87 countries, 14 were excluded from this group, which include countries such as São Tomé and Principe, Algeria, Bolivia, and Cameroon, due to not meeting the set threshold. As such, the final pool of countries includes 73 countries (Appendix 7).

5.2. Standardization

5.2.1. MCAR test

After defining the important factors to analyse the countries, there was a need to solve the issue relating to missing data. There are 3 options when handling missing data: i) Missing completely at random (MCAR): used when missingness is independent of data; ii) Missing at Random: Missingness depends only on the observed data; iii) Not Missing at Random (NMAR): Missingness depends on the missing data

Of the above-mentioned options, the chosen method was the MCAR method, as it was determined that the missingness of the data is independent of the data itself. To make sure that this method is the appropriate one, an MCAR test was performed. For this test two hypotheses were formulated: i) H0: The missing data is random; ii) H1: The missing data is not random

The test was conducted with the help of the SPSS program which failed to reject the null hypothesis. So, it is possible to conclude that the missingness of the data is independent of the data itself, thus it does not depend on any other observed or unobserved variable (Rubin 1976).

5.2.2. Imputation

After having done the dataset and concluding that the data was Missing Completely At Random, missing data imputation was performed. At a previous stage, countries and variables that had a lot of missing data and were not of crucial importance to improve the quality of the dataset were excluded. Of the whole data set, 4.8% of the data was missing, that meant that 40% of the variables (6 of 15) and 46.6% of the country data contained missing data (34 of 73). As for the previous steps, we used the SPSS software to complete the imputation of the data. We used SPSS' random number generator.

5.3. Hierarchical Country Clustering

After having proceeded with the standardization of data, a hierarchical cluster analysis was performed through SPSS, resorting to the Ward's method as not only is it more adequate for when analyzing quantitative variables (PennState n.d.), but also, due to the fact that the final number of clusters is unknown *a priori* (Eszergár-Kiss and Caesar 2017), in which the variance is minimized, producing smaller and more even sized clusters (Szmrecsanyi 2012), with which a dendrogram was created, as can be seen in Appendix 8.

For the purpose of creating the hierarchical cluster, 15 variables were used, ranging from macro variables that assess a country's situation, to variables specific to the industry that CT aims to support, namely the hotel and bar industry. As a result, 21 clusters were produced out of the originally remaining 73 countries, of which 4 are worth mentioning.

The first one is the cluster containing high income northern and central European countries (Germany, UK, Austria, Belgium, and the Netherlands) along with Canada. Secondly, we have extra high income small European countries (Denmark, Sweden, Switzerland, and Ireland), followed by high income countries with high alcohol consumption and a strong tourism industry (Spain and France). Lastly, we ought to mention the cluster in which Portugal is included, these being medium income European countries that despite not being the closest to Portugal, are still culturally similar (Bulgaria, Romania, Serbia, Croatia, Georgia, Portugal, Slovenia, and Greece).

5.4. Country ranking

After having performed a cluster analysis, a country ranking analysis was conducted. This analysis is the method by which it is possible to sort all countries in the data pool and get the countries with the highest potential given the used variables, according to the weights given to them in order to establish a level of importance. This means that each variable was individually assessed, and a different weight was attributed for the purpose of creating the ranking. In this, the variables were grouped into three categories general country data, industry-specific variables, and macro variables regarding to the performance of each country.

These three categories were split, having the following weights: General Data with 29%, Industry-Specific variables with 43%, and Macro variables with 28%. In this consideration, the Industry-Specific variables were given the biggest weight in our analysis as it was found to have the greatest impact when compared to the others when it came to creating appeal to CT.

The General Data category is composed of 6 variables dived into 3 subcategories: i) economic, with accounts for 9% of the 29%, and ii) demographic, which accounted for 11% of the 29%, and finally due to CT's high priority, iii) distance to Portugal, which had a weight of 9% of the 29% (Appendix 9). This split within the General data was an exercise of heightened importance to more influential variables catered to CT's criteria.

Secondly, the Industry-Specific data has a total weight of 43%, the category can be split into two, variables regarding the hotel and Tourism industry, and variables related to the alcohol industry and consumption habits. The first sub-category has a weight of 14% and the second of 29%. This split is derived from the core relevance of each in the activity of CT's consultancy services, as alcohol consumption and the understanding of expenditure in this field drive the increase or decrease of opportunities in countries affecting cocktail and bar services, and secondly, due to CT targeting primarily Hotel and Tourism sectors these variables are also impactful drivers of CT's future opportunities.

Lastly, Macro Variables are composed of two subcategories, the first accounting for 18% of the 28%, are the indicators of the performance of each country such as ease of doing business, country risk, and economic freedom, and the second category accounting for 10%, relates to the cultural distance to Portugal this variable directly relates to one of CT requirements that the possible markets do not have a great gap in terms of cultural differences.

After all these considerations were applied to the pool of 73 countries, this allowed a conclusive and weighted ranking of the different countries (Appendix 10). This led to the top 5 countries being the United Kingdom, France, Spain, Denmark, and Germany and the bottom 5 being Pakistan, Nepal, Indonesia, Sri Lanka, and Ecuador.

5.5. Final Country Selection

After all analysis were taken in consideration the country ranking and country cluster, we achieve a final selection of four countries to explore in phase two of the in-depth analysis, this were UK, Denmark, Spain, and France.

Regrading France and Spain both were in the same cluster a two country characterize for the high score in the variables related to Hotel and Tourism specific, being this cluster characterized as a high tourism and hotel potential. Both France and Spain ranked in the top ten countries in the country ranking France being ranked 3º and Spain 10º place. As both showed high potential in both analyses. Despite being in the same cluster both countries show elevated market potential therefore are going to be further analyzed.

Secondly, when analyzing UK performance, we see that it is the highest ranked country in Country ranking as well being in a cluster characterized by high income, high consumer expenditure and an overall high potential in the tourism and hotel industry. And as per preference of CT UK is the country that they have more interest to internationalize and knowledge.

Finally, regarding Denmark, it ranked 2º in the country cluster analysis, as is part of a cluster small size high income countries such as Switzerland and Sweden, this cluster ranked high in consumer expenditure and in all Alcohol specific variables. Since we already have two countries France and Spain that are strong in terms of Hotel and tourism industry, Denmark was chosen to diversify the analysis as provides High market potential in terms as alcohol consumption and expenditure.

To give the best basis for research, the group will rely on the four chosen nations as possible markets. To identify potential advantages and challenges for CT expansion, a thorough analysis will also be conducted for each of these nations. A top candidate will then be selected to create the company's internalization plan.

6. International Market Selection – Phase 2

6.1. In-depth Market Analysis - UK

6.1.1. Contacts

As has been stated previously, Cocktail Team has a reputation for providing consultancy services for hotels chains within Portugal, that often extend outside of it, which CT could exploit in order to extend its network to international dimensions. According to CT’s customer portfolio we can identify two types of customers, these being either bars at a that do not belong to a chain, and therefore, have no international presence or connections; or large hotel chains, as is the case with Turim, Hilton and Sheraton, these latter ones being the ones that will require the most attention to assess as potential contacts.

Of the three mentioned chains, the one that does not have any international presence is Turim, as it operates exclusively in Portugal, allowing us to disregard this chain from the start.

Starting with Hilton, it must be mentioned that it operates at different segments, and as such, has created several segments of hotels. This detail is important to mention because when identifying potential contacts and clients, CT must be consistent and target hotel chains that fit within the same segments that it is already familiar with to solidify its position as the best alternative available due to the knowledge that they already possess about the industry.

Hilton currently has 16 brands of hotels, with 2 more to be created in the near future, ranging from timeshares (Hilton Grand Vacations) and "lifestyle" hotels (Motto), aimed at a young target and with a lower cost that want to stay in the city center, to luxury 5-star hotels (Hotel Tech Report 2017). In this case, Cocktail Team worked with Hilton Vilamoura, a hotel located in Faro, belonging to the Hilton Hotels and Resorts brand, this being one of their Upper-Upscale options. Within this segment other Hilton brands can be identified: i) Canopy by Hilton, ii) Embassy Suites by Hilton, iii) Curio Collection by Hilton, and the to be launched iv) Signia by Hilton, totaling to five upper-upscale brands, which are going to be the focus of the analysis. Researching specifically for these brands, 46 hotels belonging to the Hilton Hotels and Resorts were found across the UK, with the majority of them located in and in the outskirts of London (26), this number increasing to 53 when considering the remaining brands that were previously mentioned (Hilton 2022).

Proceeding now to Sheraton, an identical situation can be observed. Sheraton is one of the brands belonging to the Marriott International group which operates at an international scale and has established several brands at different segments to satisfy the needs and demands of different targets. It currently owns 30 different brands distributed along 4 different tiers of service: (from most upscale to least) i) Luxury, ii) Premium, iii) Select and iv) Longer Stays (Hotel Tech Report 2017a). Sheraton in particular is one of the eleven brands belonging to the

Premium segment, being joined by: i) Marriott, ii) Marriott Vacation Club (a timeshare), iii) Delta Hotels, iv) Le Meridien, v) Westin, vi) Autograph Collection Hotels, vii) Design Hotels, viii) Renaissance Hotels, ix) Tribute Portfolio and x) Gaylord Hotels, although it must be noted that in the United Kingdom, Le Meridien and Gaylord Hotels are not available. Not just this but, Marriott Vacation Club, due to its nature, is not going to be considered as a potential contact for CT to consider, due to the fact that these rarely have a bar in their facilities. With these considerations in mind, 75 hotels in the Premium segment are left over the entire UK region, being that only 4 of these are part of the Sheraton brand. When considering just those located in the London area, 35 hotels over the whole segment can be found, with 3 of them belonging to the Sheraton brand (Marriott 2019).

To explain the higher focus being put into London, it must be stated that this city attracts the most tourists by large margins. In 2019 the number of overseas tourists to the UK almost reached the 41 million figure. Of all these visitors, 21.71 million of them visited London (approximately 53%), a figure that is almost ten times larger than those that visited the second most visited city in the UK (Edinburgh with 2.21 million visitors) (Office for National Statistics 2019). It is worth noting the significant impact tourism has on the UK's economy, having generated an additional 234.5 billion pounds in 2019 (Statista 2022), accounting to 12% of the total GDP (Statista 2022) for that same year.

So, in conclusion, due to familiarity with the sector, CT should focus in chains such as Sheraton and Hilton Hotels and Resorts located in London, which provide with a total of 29 high priority potential contacts in a region that is highly attractive at a tourism level.

6.1.2. Competition

Following the contacts that CT must focus on, an analysis on the competitors was conducted to get an overview of the current state of the British market. At first, resorting to Orbis for an assessment of competitors proved to be unfruitful due to the fact that there is no CAE code specific to Cocktail Team's activity in bar consultancy. Therefore, the main potential competitors in the UK were researched in other more generic search engines (such as Google), but that allowed to search specifically for bar consulting firms.

The 11 more relevant ones were chosen and analyzed to assess where they operate and who their clients are. Of the 11 chosen, 5 of them (Bar Specialists, Fling Bar Services, LDN Bar, Interbar and Cocktail Professor) have worked extensively with high-end hotels and their bars in the past. One of them, besides operating as bar consultants also has their own award-winning bars (LDN Bar n.d.) located in London. Despite all having already worked with upscale hotels, only 3 of them are located in London (Bar Specialists, LDN Bar and Interbar) while another one is located in the Midlands region, and another, despite having operated in the UK already, has the main office in the Netherlands (Cocktail Professor) (Appendix 22)

6.1.3. Overall market sales potential and company sales potential

Due to its niche nature, one of the biggest obstacles faced when analyzing the bar consultancy sector is the lack of secondary data which is used to calculate metrics such as market sales potential and company sales potential, meaning that in order to achieve numbers on market potential and company sales, a few assumptions will have to be made. To aid with the visualization of the British market potential, the TAM and SOM models were used.

Addressing first the TAM (Total Addressable Market), this is the total market value for a certain service or product, or in other words, what would be the revenues for Cocktail Team if it managed to achieve a 100% market share on the bar consultancy industry (Sridharan 2022). As mentioned before, due to lack of secondary data, as a proxy for the total market value for CT's market, the annual revenues in the hotel and restaurant sectors for the British market were used as a starting point. As of 2020, the reported consumer expenses on hotels and restaurants were $97.6 Billion (Statista 2020), and assuming that companies spend 4,5% of their revenues in consultancy services, the overall consultancy market for these entities is valued at $4.4 Billion.

Then, a further assumption was made stating that, of those 4,5%, only 2% was specific to bar consultancy, thus, making the Total Addressable Market worth $87.8 Million (Appendix 23). By using these assumptions and model, with annual revenues of just under $116 000, CT currently has a market share of 1% in Portugal, which can be used as a reference point.

Then, regarding the SOM (Serviceable Obtainable Market), this is the portion of the market that CT could realistically serve and capture (Sridharan 2022). To identify this a few remarks must be made. For starters, the British market for bar consultancy is far more competitive than the Portuguese market due to a higher number of experienced competitors, meaning that the potential market share in this region, at least during early stages, will be lower than that of the Portuguese market. Then, for the purpose of predicting the SOM, three different scenarios were envisioned, one neutral, one underperforming and another overperforming, depending on how big of a market share CT can capture.

Given that CT would be moving into a new market in which connections are scarce, a market share of 1% within a year is unrealistic, and, as such, scenarios in which CT captures from 0,1% to 0,3% were envisioned. With these values in mind, CT's annual revenues within the first year could range from $87 855,07 to $263 565,20 (Appendix 24). Nonetheless, due to lack of any secondary data, the presented values should be used with caution and as mere references.

6.1.4. Market entry conditions

In this subchapter an analysis on the British market was conducted at the levels of bureaucracy and formality for international expansion. For this purpose, some metrics are of particular importance, which allow for an objective analysis and interpretation of the state of this market and how easy internationalizing into it would be.

Trade Obstacles

With the UK's recent withdrawal from the EU (Brexit), one of the main concerns was the ability to resume and create trade agreements between the UK and other countries from the European Union, along with other countries across the world.

Regarding trade with the EU, the EU-UK Free Trade Agreement assures that, among others, tariffs and quotas between these two groups remain non-existent (as long as the rules of origin are respected), and most importantly for CT, the ability for EU investors to establish their companies in British territory and operate them freely (in most sectors) (European Comission 2020).

Then, regarding the Ease of Doing Business metric, which attributes a score from 0 to 100 (where 100 is the best possible score), the UK scored 84, placing it in a better situation than CT home market, Portugal, with 76 points (World Bank 2022). This metric is calculated with sole consideration for regulations of each country.

Although the UK is highly regulated regarding standards for product quality and distribution, the consultancy sector, by comparison is not very regulated, meaning that, regulation-wise, there are little to no impediments for CT to explore this market (Sturdy 2020).

So, although no longer being part of EU, unlike the other countries selected for consideration, CT's ability to set up offices and/or provide consultancy services in the UK should not be any more difficult than the remaining alternatives.

Transport and Local Distribution Channels

Despite not directly influencing CT, the ability and ease to import and distribute products such as alcoholic beverages inside the UK highly impacts CT's clients, and as such, a disruption in this regard could prove to be catastrophic to CT's client base and ultimately CT itself.

In this regard, the Logistics Performance Index was used to assess how the UK fares in comparison with the rest of the world. Just as a sidenote, it is necessary to mention that the latest data available is from 2018, pre-Brexit, which means that these could have suffered some alterations. Nonetheless, with an average score of 4.01, the UK is placed 6th in the world (World Bank 2018). This score is calculated with aid of 6 elements, these being, the Efficiency of the clearance process through **customs**, quality of trade and transport related **infrastructures**, ease of arranging competitively priced **shipments**, **competence** and quality of logistics services, ability to **track** and trace consignments, and **timeliness** of shipments in reaching destination within the scheduled or expected delivery time (World Bank 2018). The element in which UK suffers the most is regarding the ability of achieving competitive pricing and clearing customs (with scores of 3.69 and 3.85 respectively). However, it does perform well in terms of timeliness and infrastructure (with scores of 4.32 and 4.09), making its transportation and distribution reliable.

Payments and Financing Methods

Regarding payments and financing methods, two different metrics can be used to assess how this might affect CT in the British market. First, the **Country Risk** assessment, which not only considers cases of *force majeur*e (unforeseeable circumstances, that the individual cannot prevent and impede them from fulfilling certain contract), but also evaluates transfer and convertibility risks (OECD n.d.). Despite not being purely assessing financing opportunities, this metric still considers the risk related to financial health. That said, UK's country risk is 0, making it identical to Portugal's score, showcasing both markets' stability.

Secondly, another metric to be considered is the **Good Credit Index**, which analyses how easy it is to get affordable credit across the UK (William-Taplin 2021). Over 2021, this score has improved mostly due to government intervention into preventing both financial and health crisis, but also due to better job retention and job support schemes.

Registration and Documentation

As for registration and documentation, the first way this was assessed was through the time required to finish the procedures necessary to legally operate a business. As of 2019, in the UK this time is just of 5 days, 2 days less than the 7 required in Portugal (World Bank 2022)

Start-up procedures were also looked at, and these are all the procedures required to start a business, including interactions to obtain permits and licenses, as well as all inscriptions, verifications and notifications (World Bank 2022). Again, in this metric, the UK outperforms Portugal by 2 (procedures), by just having to go through 4 procedures, compared to the required 6 in Portugal (World Bank 2022).

Lastly, the cost of the procedures was also looked into to better gauge how the UK may perform in comparison to Portugal. The way this is assessed is by comparing these costs to the GNI (Gross National Income) per capita. Despite Portugal already having a very low rate of just 1.9%, the UK still manages to outperform Portugal with a rate of 0% (World Bank 2022).

Other Regulations and Standards

If CT opts to set up a permanent office in the UK, due to not benefiting from any special corporate tax regimes (PwC 2022), it will be taxed at the standard rate of 19%, regardless of level of income (GOV.UK n.d.). However, if CT were to operate from Portugal and provide consultancy services to companies in the UK without setting up and office, only VAT would have to be paid. Due to not providing any reduced or zero-rated services (GOV.UK n.d.), CT would have to pay VAT at a rate of 20% (University of Sussex n.d.).

6.2. Selection of target market

In order to select the market that has the highest potential as the target of further analysis several factors were considered in each individual market analysis: (1) the availability and contacts in the market also in terms of potential clients, (2) the degree of competition that CT would face if they were to move to that market, (3) the overall market size , (4) significant market entry conditions and finally (5) the interest that the CT's CMO expressed in the analyzed markets. Each factor was rated from 1-5 for each market resulting in a table of the scores across the factors for the markets in question (Appendix 20). The final score was calculated by way of a simple average (every factor had the same weight) and resulted in the following scores: United Kingdom (UK) with 4.4, Spain with 4.0, France with 4.0 and Denmark with 3.8.

This resulted in the decision to use the United Kingdom as the market with the highest potential for the internationalization of CT and to which an entry plan is going to be designed.

7. International Entry Strategy

7.1. Selection Criteria

Having assessed all the in-depth analyses conducted on the previously mentioned countries and consulting the company on what their desired market is, the final selected market was the UK. To narrow down to which of the entry modes is the most adequate, Hollensen (2014) suggests that 4 factors must be analyzed and broken down into characteristics to better understand and evaluate them: i) External factors, ii) Internal factors, iii) Transaction-specific behavior and iv) Desired mode characteristics.

Regarding **External Factors**, this factor can be broken down into six characteristics. First, **Country Risk**, states that foreign markets are inherently riskier than home markets and as such a risk analysis must be conducted (Hollensen 2014), where the higher the risk, the fewer resources should be committed to the internationalization effort. In the case of the UK, risk is rather low, not only due to the homogeneity of the market but also due to how similar business practices (Puljeva and Widén 2007) between the UK and Portugal are, result of, until recent events, both being part of the EU which sets standards of practice that every state member must adhere by. With that said, Country Risk can be expected to be low, which suggests the pursuit of low control modes (Hollensen 2014).

The **sociocultural distance between the two countries** is another element to be considered. The same author (Hollensen 2014) considers that sociocultural differences are only determinant when the distance is too great. When that is the case, the firm should opt for strategies that are lower on resource commitment and highly flexible. With a cultural distance of 47,32 as per data from Hofstede Insights, cultural distance is medium to high, once again hinting at the fact that the company should opt for an entry mode that carries a lower risk, implying also, lower control.

Next, **Market size and growth** establish two different realities. For size, if it is the case that the target country has a small market size, then it is preferable to opt for modes that have lower breakeven volumes, which often rely on modes that involve another party to share the risk (intermediary modes); on the other hand, as is the case for the UK, if the market size is larger, then modes with higher breakeven volumes can be justified (Root 1994, as cited in Puljeva and Widén 2007). Not only that but when growth rates are high and expected to fall in the near future, firms are incentivized to internationalize immediately by making use of direct or indirect exporting (Koch 2001). The bar consultancy sector is much more mature in the UK than it is in Portugal so accentuated growth opportunities are non-existent. Despite this, due to the market size, it is still suggested that CT follows either a low control mode or one in which this is shared. To add to this, one must also consider the **Intensity of the competition**, in which, when atomistic, as in the UK, where a market is mostly comprised of equally sized players, low control modes such as exports are deemed more favorable (Root 1994, as cited in Puljeva, and Widén 2007).

Regarding **Trade barriers**, when these are intense in the target country, a high control mode/hierarchical mode is often preferred (Hollensen 2014). As has been previously stated, the UK is rather accessible for EU entrepreneurs to set up in, not only in terms of regulations but also regarding tariffs and distribution, elements which literature suggests as being highly relevant (Koch 2001), and as such, make high control modes not necessary.

The last element of the external factors is regarding the **Number of relevant export intermediaries**. The use of intermediaries is often a temporary mode, that companies prefer to adopt at the early stages of the internationalization process due to the extended knowledge that these are expected to have in the target market (Nes 2014). When considering this, one must also consider the risk of opportunistic behavior in the case of the intermediary having established a monopolistic environment (Hollensen 2014). However, in CT's industry, information on agents and intermediaries seems to be scarce, which hints at the possibility that the recruitment of an agent happens by way of word of mouth and exploitation of networks, rather than direct contact between company and said agent. This means that, due to CT's limited network outside of Portugal, hiring an agent seems to be a difficult task to achieve.

Analyzing now the **Internal Factors**, these can be subdivided into three: i) Firm size, ii) International experience, and iii) Product.

Firstly, **Firm size**, is used to assess the firm's access to capital and resources. Due to the fact that establishing a fully owned subsidiary is rather resource intensive, smaller firms may not have the ability to internationalize using high control modes (Koch 2001). Despite CT, a small firm, having had access to funding in the past by means of loans, it is still not recommended that a small company take on such resource demanding alternative, that carries higher risks, in their internationalization endeavors. This means that CT should either opt for low control modes or intermediate modes.

Secondly, **International experience** dictates that the more experience the managing team possesses the more willing it is to allocate resources towards this project, allowing for high control modes (Hollensen 2014). In this regard it must be mentioned that CT has never internationalized outside of the home market other than a one-time project that has not been repeated since, and as such, it is suggested that a low control mode is followed.

Lastly, the **Product** and its characteristics are also important for determining the mode of entry. In this case, the service provided is intellectual in nature, meaning that no special accommodations must be made to guarantee its delivery, and the company's only concern is regarding its ability to provide said service abroad (Root 1994), as cited in Puljeva and Widén (2007). Not just that, but there is also no reason to believe that the service provided is highly differentiated from that of the competition. With this in mind, it is recommended that intermediary modes such as franchising are considered (Puljeva and Widén 2007).

When assessing the **Transaction-specific behavior** factor, this considers the tacit nature of know-how. In question is the fact that tacit know-how is easier to transfer within a firm than within a market (Sanchez-Peinado et al. 2007). According to Sanchez-Peinado et al.'s (2007) study, the greater the tacit knowledge, the more likely a firm is to opt for a high control entry mode to guarantee the success of this transfer. The question now lies on whether CT possesses enough tacit know-how to justify the use of a high control mode. One must not forget the intellectual nature of CT's services, which are often the result of years of professional experience rather than formal education. With this said, it is believed that CT does indeed hold some relevant tacit know-how that is difficult to transfer, making it seem that it would benefit from a high control entry mode.

As for the last factor, **Desired mode of entry**, three variables are considered: i) Control, ii) Flexibility, and iii) Risk aversion.

Control is assessed by how much of an influence a firm wishes to be able to exert over a certain project, and when lacking, the more difficult it becomes to coordinate actions and carry out/revise strategies. Not only that, but the more control a firm manages to hold, the higher the returns it can expect to earn. Nonetheless, for a firm to be able to acquire this much control, it must also have access to the higher resources that it requires (Anderson and Gatignon 1986). In the end, control becomes not so much a desire, but rather something that a company must be able to afford. In this case, it is true that CT is not in a particularly strong financial position, but due to no need of setting up production facilities, nor arrange for distribution channels, CT is able to keep costs down, granting them the opportunity to pursue a high control entry mode.

Moving on to **Flexibility**, this is a firm's ability to quickly change systems and methods at low costs (Anderson and Gatignon 1986). In this regard, literature suggests that the lower the control the easier it is to maintain flexibility (Anderson and Gatignon 1986), while high control/hierarchical modes are the least prone to quick and effective change. In this case, CT's commercial activity is more forgiving in terms of flexibility as no manufacturing and distribution must occur, leading to the conclusion that CT would willingly prioritize high control over high flexibility, hinting at the possibility of the adoption of high control modes.

Lastly, **Risk aversion** also comes deeply connected to resource commitment. The higher the risk aversion is, the more reluctant the firm is to commit resources to the internationalization process (Agarwal and Ramaswami 1992), which ultimately would impact control. Here a contradiction can occur where, while CT has a preference for high control modes, its risk aversion could make it end up resorting to low control modes.

7.2. Analysis of alternative entry modes

Having gone through the selection criteria for entry modes, further analysis of the different entry modes is going to be conducted. There exist multiple routes to enter a new market which can be categorized into Equity/High Risk and High Control to No Equity/Low Risk and Low Control. The main explanation is that the more equity is invested in the chosen way of entry, the greater the risk, as well as the greater the control of the downstream chain of the company and vice versa. This analysis will further the understanding and implications of each mode of entering.

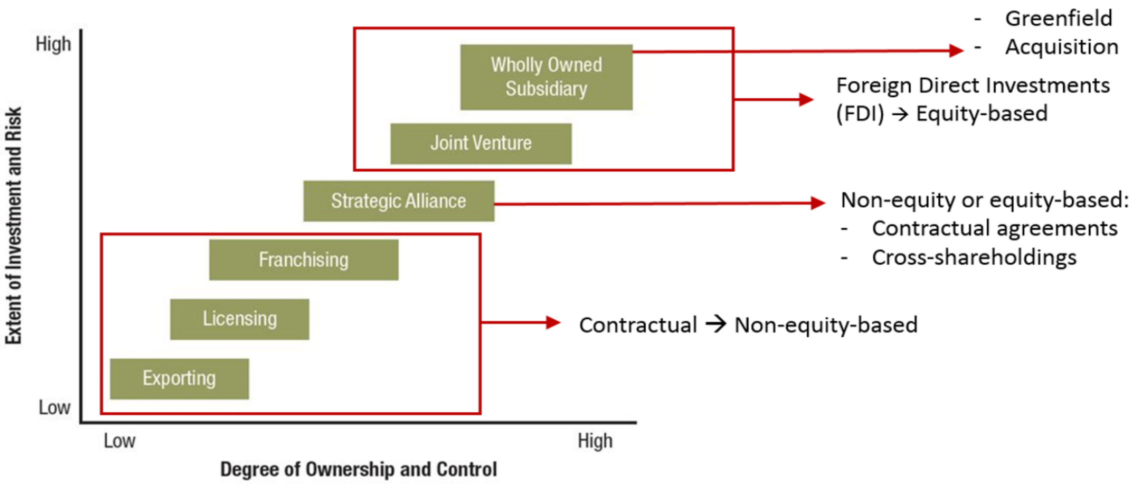

Figure 4 Modes of Entry Comparison

Dividing the Entry modes into three Low Control/No Equity, Moderate Control and Equity, High Control and High Equity.

In the first category of Low Control/No Equity/Low Risk, the analysis is going to focus on the Exporting mode of entry. Exporting is where a company sends products/services to another country (Wsu.edu 2022), which implies an externalization decision by CT. There are three different approaches to exporting. **Direct Exporting** entails the contractualization with an intermediary agent that would promote and sell CT services in the UK to the respective clients. This agent would be responsible to promote downstream value chain activities in the UK, ultimately increasing the return on the investment, as this agent has a better understanding of local markets as well as a broader network of contacts (Indeed Career Guide 2022). Secondly,

Indirect Export, where CT would contact a domestic company to ensure all its externalization processes to the UK, or, in a summarized manner, by "sub-contracting" the export process. Lastly, the simpler way of exporting is a **direct sale** where CT would sell directly its services to a foreign client in the UK. Having these three forms of export being considered, exporting provides a great set of advantages as its low cost, low risk with no equity need, as well facilitates companies' smaller companies to enter new markets, the main drawbacks are the lack of downstream control CT would have as well the low contact with clients.

The second category of entry modes is that which implies a low commitment of Equity but increased risk and control, leading to an analysis on strategic alliances. There are several types of Contractual agreements such as Franchising, Revenue sharing agreements, Licensing, Contract manufacturing, Management contracting, and Joint Ventures. As CT is a service-based company some of these modes of entry are not going to be further analyzed (e.g Contractual Manufcturing). Contractual agreements such as Franchising, licensing, revenue sharing agreements, and Joint ventures (Harvard.edu 2022). **Licensing** allows for, in exchange for royalties, an international licensing agreement that enables a foreign business (the licensee) to sell goods made by a producer (the licensor) or to utilize its intellectual property (such as patents, trademarks, and copyrights) (Corporate Finance Institute 2020). In this case, CT would lease the rights for their IP to a UK based company and this company would pay royalties to CT. **A franchising** agreement consists of a company (the *franchiser*) granting a foreign company (the *franchisee*) the right to use its brand name and to sell its products or services (Wsu.edu 2022), where the franchisee is responsible for all operations but agrees to certain rules and procedures set by the franchiser. CT in this case would provide all its knowledge and practices to the franchisee in the UK, receiving royalties as a form of payment. Lastly, **Revenue Sharing agreements** consist in a legal agreement between two parties that requires one to give the other a share of earnings or revenues in exchange for the right to use something. Through this agreement, a business is given the opportunity to split the revenue from a good or service that is directly related to its main line of business (Contractscounsel.com 2021). All aforementioned modes of entry in this category minimize the need for equity commitment, but at the same time increase the control and the risk when compared to the entry modes in the first category.

The first type of equity entry mode is a **Joint Venture**, a type of strategic alliance that consists of a written contract between two or more businesses that specifies how and when the parties will work together to achieve a specific goal (Wsu.edu 2022). There are several types of Joint Ventures, such as minority, equal, and majority joint ventures, reflecting the level of equity commitment a company invests in the joint venture. In CT's case, this would allow it to get privileged access to its partner’s know-how and network (and vice versa), allowing for a quicker entry to the market, coupled with greater bargaining power and resources to fully tackle the market. The most ideal partner for a joint venture would be an enterprise that complemented CT’s offerings such as a hotel and spa consultancy company in the UK. The main advantage of this hypothetical joint venture would be the ability to mitigate capital risk, as solo endeavors often imply higher risks.

Lastly, in the entry modes, there are forms of entry that have a high equity commitment and high risk/control. In these categories, there are two entry modes to be considered, Merger and acquisition, and wholly owned subsidiaries. First in consideration is **M&A** as an entry mode, which, due to the small size of the business and current market environment and internal finance is not put into consideration. **A wholly owned subsidiary**, also known as, Greenfield investment/acquisition, consists of investing in a type of foreign direct investment (FDI) in which a parent company creates a subsidiary in a different country, building its operations from the ground up (Investopedia 2022), creating a new branch that would have all activities CT currently has. This type of entry mode is the one that commits more equity but has the highest control over the downstream chain.

7.3. Entry Mode Selection

After the previously conducted analysis, and having contacted CT to establish preferences and expectations, an entry mode will now be selected based on the conclusions that were reached.

Regarding the selection criteria (Appendix 21), these were majorly indicative of a low control mode. However, it is still needed to assess if any of the individual criterions are strong enough to sway this decision into another mode. One of the key elements that was mentioned in meetings with the company, is that CT is unwilling to invest large amounts of capital during the early stages of internationalization, mainly due to how risk averse it is, and would rather progressively invest into the British foreign market, delaying potential larger investments to a future where uncertainty is lower. This behavior is consistent with the Uppsala model which dictates that management prefers to start internationalization with modes that require lower commitment and only then shift to high control modes (Schweizer R. and Vahlne J. 2022). Therefore, high control modes are not to be considered.

Upon meeting with the company, it was also made clear that the management team is skeptical of relying on third parties to make business and arrange new clients, mostly due to the fear that opportunistic behavior might occur, steering further away from a medium mode of entry that would match CT with another entity, leaving low control modes as the preferred modes for the company.

Within low control modes, and as has been previously mentioned, three distinct modes that do not rely on strategic alliances can be identified: i) Direct Exporting, ii) Indirect Exporting, and iii) Direct Sale.

Regarding the first two alternatives, it must be mentioned that these rely on a third party, again, exposing CT to potential opportunistic behavior, which it intends on preventing.

That would leave CT with Direct Sale as the best alternative regarding modes of entry. Not only is this the mode with lowest associated costs, satisfying the risk aversion criterion, but is also independent from unknown third parties, allowing for CT to have total control over its operations.

8. Marketing strategy

8.1. Marketing objectives

CT is currently only operating in Portugal and wants to take its first steps in the process of becoming an internationally active company. In order to set robust objectives, we used the SMART-framework, that states that marketing objectives should be Specific, Measurable, Attainable, Realistic and Timely. (Williams 2012) . For a more detailed explanation see (Figure 5.)

Factor	Question to answer
Specific	Does it define what is the goal?
Measureable	Are there numbers to track the process?
Attainable	Can it be archieved?
Realistic	Is it doable in a financially rational way?
Timely	Can it be done in the foreseeable future?

Figure 5- Smart Framework

We categorised CT's marketing objectives to financial and internationalization related objectives. The first short-term objective is to sign contracts with foreign country-wide hotel and/or bar chains for bar consulting and service standardization services with a total value of at least €50,000 annually. We believe that this is the minimum amount that enables the company to start its international expansion. After having its first partnerships with foreign chains, the company needs to start expanding by creating more partnerships to increase its presence and archive its second and third objectives related to foreign revenue and foreign net income.

The second marketing goal that we set for CT is the increase of its revenue by at least €50,000 in the first year and €75,000 in the second one. For the net income objectives of the foreign venture, we set very conservative goals as entering new markets can imply many unforeseeable expenses. We believe that in the first year the company should focus on avoiding a negative net income effect of the foreign operations and keep around 0. In the second year we set the net income objective to €15,000.

We believe that our 3 objectives are in accordance with the SMART framework. In the following chapters we describe how these objectives can be archived.

8.2. Market segmentation

As CT wants to base its internationalization strategy on its relationships with hotel and bar chains, we need to understand the actual market situation. The company also serves standalone bars and hotels, however, we believe their demand for bar service standardization and improvement services is low due to irrelevance of standardization in their case and a lower revenue and available cash for such projects compared to bigger chains.

For this reason, we used the STP (segmentation, targeting, positioning) method. Segmentation assumes that customers show similarities in their preferences and buying behaviour. (Green 1977) It is useful as it is financially advantageous to focus on a limited number of segments instead of trying to satisfy the needs of a broader range of customers that are not so relevant for the company (Dibb 1998) Well-defined segments need to share some common characteristics, they need to be measurable, substantial, stable, accessible, actionable, and differentiated. (Lascu & Clow 2007)

As CT's services will be sold to businesses, we must analyse and create segments of their business-to-business B2B customers. We defined two main factors that are the most relevant for CT from a business point of view and according to which we created the segments (Appendix 26). The first factor is the size of the chain. We classified the companies according to the number of bar units they operate. The companies having less than 10 units are classified as smaller while ones with 10 or more units are classified as big companies. The number of bar units is important because of two reasons; i) The less units a company operates the lower the importance of standardization is for the company and the smaller the budget at its disposal is for consultancy services; i) From a sales and efficiency point of view, it is much less costly to manage the relationships with a small number of big customers than a high amount of small customers.

The second factor we considered as a major determinant, is the residency of the management/bar standardization decision maker. This is a key factor because: i)The local management is not always authorized to start a cooperation with CT even if they consider the services provided by CT useful and financially advantageous; ii) It can also be the case that company policies require service standardization on a global level for which CT might not be financially and organization-wise prepared; iii) If the decision can be made on a local level (either because the chain is only active in that foreign market or is managed autonomously or operate as an independent company holding international licences) the whole contracting process can be finished much faster and with a smaller risk of rejection from the headquarter.

8.3. Targeting

It is important to identify which are the most profitable customers so that the firm can direct its efforts towards them (Cahill 1997), every segment needs has different needs making it necessary adapt the approach used (Reutterer et al. 1987).

After identifying the different segments that Cocktail Team will have access to it is now time to analyze each of them with the goal of determining which is the segment with the highest potential and that CT should focus on.

Starting with the "Small subsidiaries of centralized international chains" there are two major disadvantages of this segment that make it not desirable for CT to focus on. The first one is that by the potential clients being of small size the gain CT would receive for the service provided would be sizable as it would scale up or down with the dimensions of the establishment and work that could be done. The second factor stems from the fact that by being a centralized chain most if not all factor that would be impacted by CT's service (e.g., overall customer experience and atmosphere) require approval by the HQ of the hotel chain which places hurdles in terms of the higher bureaucracy involved, lower efficiency in decision making and of lower creative freedom of the service CT can offer.

Moving on to the "Centralized international chains" segment, where the chain is still centralized but each hotel in the chain is not of small dimension the issue with CT's gain for the service provided is not a problem anymore. However, by still being centralized this segment still suffers from the inefficiencies that plagues the "Small subsidiaries of centralized international chains" segment: higher bureaucracy, lower efficiency, and lower creative freedom.

As for the "Small, locally managed chain," because the management of the chain is local CT has more freedom when offering their service and it is faster for the hotel management to approve of the changes proposed. It is the result of the lower bureaucracy involved inside the hotel chain. Nonetheless, this segment also suffers from the problem of the small size of each service provided and being a small chain there is less room for CT to grow through servicing each hotel of the chain.

The final segment “Big decentralized international or domestic chains” in which the hotel chains are of big dimension, yet each hotel has more freedom and control than a centralized chain where the HQ has most of the control over the links of the chain. This increase of control over itself makes the hotel more welcoming of the possible changes that CT would introduce, and the lower bureaucracy involved would also increase the speed at which decisions are approved and overall efficiency of the project. The potential for growth inside the chain is also considerable in chains with many hotels of big dimensions.

The segment that is considered to have the highest potential and that CT should focus on is the “Big decentralized international or domestic chains” for the higher efficiency in dealing with the hotel and the both the high value per link (i.e., hotel of the chain) serviced and number of links in the chain.

8.4. Positioning

8.4.1 Value proposition

A firm’s value proposition is where it describes the benefits that it can deliver, who their market segment is and what differentiates the from the competition. It is a tool used to “communicate how it aims to provide value to customer’s” (Payne et al. 2017). CT’s Value proposition can as such: *“Cocktail Team enables their client’s bars and hotels to reach their full potential, to standardize their service among chain locations and to stay up to date with modern trends all without loving their original charm.”*

8.4.2 Positioning statement

With a positioning statement a firm has the opportunity to express what characterizes their business and service and much like the value proposition what differentiates them from other similar businesses, *"it identifies the target audience, the product and its category, a specific benefit"* (The marketing high ground 2011).

CT's positioning statement can be classified as: *"For bars and hotels that are looking to improve not just their menu or atmosphere but the overall experience their customers have in their bars, Cocktail Team is a bar consulting firm that is here for you with our years of industry experience we will get your bar game to the next level because of market knowledge and technical know-how"*.

8.4.3 Positioning map

A positioning map is a visual tool that can be used to identify market opportunities to define a company's overall position on the market. In a positioning map the player of a market is placed on a XY graph with the two axes being crucial factors that are relevant for the consumers of the product/service that is offered by the market. With the creation of the positioning map CT can identify market opportunities that are currently not covered by competitors (Appendix 25) and see where they can position themselves to reach their marketing goals. Of the 11 competitors that we have identified in the UK market, we will now examine those 5 that have experience of working with hotel chains.

We have identified two factors that are the most important determinants of bar consulting companies (Appendix 25). The first one is the variety of services each of the companies provide. That is especially important as it influences whether a company can position itself as a full-service provider or a specialist. The other key factor is exclusivity and level of service. That determines the position of the company in a way that it influences the range of clients.

8.5. Marketing Mix (4 or 7 Ps)

Marketing mix can be defined as a set of the are used in marketing in order to reach customer satisfaction and build a strong relationship with them (Kotler, Armstrong 2012). It is divided into four groups, the 4Ps, place, price, product and promotion. (Kotler, Armstrong 2012) Lately many critics of the 4Ps approach stated that while it is applicable to goods marketing, it has significant disadvantages when applied to service marketing. In the case of service marketing the 4Ps should be complemented by process, physical evidence and participants. (Booms and Bitner 1981)

8.5.1 Place

The first of the 4Ps, place contains questions regarding how the company will make the offering available to target consumers. (Kotler, Armstrong 2012) Services differ from the goods marketed in many ways, services are intangible, perishable (cannot be stored), inseparable (performed and consumed at the same time) and variable as it is not ever executed in the same way, hence the distribution channels suitable for product marketing cannot be used for service marketing (Grönroos 1998).

CT's consulting services partly require in-person presence because the services they offer include bar service standardization that requires that consultants see and sense the bars. Because of this need, the main logistical question is the transport of consultants and project managers between the sites of the clients and the headquarters. We suggest that CT follows a step-by-step model that includes starting their internationalization by only sending their Portugal-based consultants to international clients in the beginning and then gradually hiring new foreign-based staff or relocating their current colleagues to the new market to improve service quality and client relations. They need to understand the trade-off between service quality (as having full-time foreign presence improves the availability and reduces cultural differences) and cost (as having a local employee includes a higher cost of service for the company). We also suggest that CT prepares with standardized e-learnings or online materials that help the client understand its advice and reduce the need for some more repetitive in-person tasks and thus the travel costs.

8.5.2 Price

CT operates in a high-end sector, where the service quality is the main determinant. This makes pricing a secondary factor behind the overall knowledge and service quality of CT. This attribute of the market signals a high price elasticity. However, as a new entrant to the market CT should set its prices in a way that they secure long-term cooperations that can strengthen its foreign positions and allow them to start a sustainable expansion.

Another crucial factor CT should consider is the current competition on the market. This is low which is also advantageous for CT as they bear a smaller risk of entering heavy price rivalry.

By taking these factors into account, we suggest that CT prices its services based on value instead of basing them on the costs of services.

We also suggest they apply a strategy of price penetration, by offering lower prices for the first customers for the creation of a more stable market position and gaining important references that they can leverage in later cooperations.

8.5.3 Product

To create value a firm must first create a “need-satisfying market offering.” (Kotler, Armstrong 2012) Under this section we will analyse CT’s consulting services as we are analysing a company that only offer services.

CT’s bar consulting services include a wide range of services. They will offer recruitment, workflow monitoring, configuration, material acquisition, bar management and training for their customers. These services require an elevated level of personalisation for the cooperation to be successful. We suggest they categorise these services into 3 main categories, management and staff training services, process management and product (cocktail) related services. We also suggest that they try to position their offerings as highly customizable and full-service bar consulting services with a high emphasis on standardization.

8.5.4 Promotion

The last of the 4 P's analysis, promotion relates to how our service is going to be communicated to the consumer. The 6 M's model breaks promotion down into three Phases: Strategic Intent, Strategic Execution and Strategic Impact.

Starting off with strategic intent it has the first two M's: Mission and Market. The mission of the campaign is to trigger a cognition of how Cocktail Team's service can improve their business which will in turn create a desire for the service. As for the market that this service will cater to it is the stand-alone bars in addition to the bars in restaurants and hotels.

The next two M's: message and media, together form the Strategic Execution Phase. The message that CT should aim to transmit is one of a firm that will cater their service to the needs of their consumer to the best of their abilities, with one eye in the past taking advantage of their years of experience and one eye on the future by always being up to date. Given that it is not a B2C and instead a B2B firm it should focus more on an inbound market strategy by having all the relevant information about their services widely available, additionally Ct should be present in the fairs and event that will happen which are of major importance in this industry.

The final two M's of the 6 M's framework that make the Strategic Impact Phase are Money and Measurement. To measure the success of the campaign there are several KPI's that can be used, notably the return on marketing investment that measures the gain from the campaign in relation to its cost. When it comes to the final M: Money, it is expected for the entire campaign to have cost of around 14 thousand Euros per year in the first year to 15 thousand Euros in the fifth year, during the financial plan for the internationalization of Cocktail Team, it will be explained in a more detailed manner.

8.5.5 The 3 additional Ps of service marketing

As a way of completing the 4 P's approach three additional P's can be used: People, Process and Physical Evidence. This approach is recommended over the standard 4 P's approach when it is applied to a service instead of a product (Sramkowski 2021).

Firstly, the People, Cocktail Team's workforce has many years of experience that will enable them to leave a lasting positive impression on their potential clients and being an English-speaking country, it will be easier to develop a relationship with the clients which is important in this industry. Secondly process, it is mandatory for some of the people in charge of the campaign to have extensive industry experience and English fluency, which is the case for the majority of Cocktail Team's workforce, for the campaign to reach and resonate with the consumer and their needs. It would also be beneficial for CT to have someone with experience in the British bar consulting so that the slight differences between the industry in this new market are accounted for. Thirdly physical evidence, in the case of CT's industry the physical change will be in the form of the changes that will be implemented according to the recommendations provided and the fairs that they will be present in as part of the marketing campaign

9. Financial Forecast

9.1 Assumptions

For the measuring the financial effects of internationalization, the stand-alone costs and revenues of the foreign operations were calculated. In accordance with the previous chapters, it is assumed that the company will choose to open a legal entity in the UK and to use the direct export method. Because of the mode of entry, no investment in tangible or intangible assets is necessary apart from a 2000 Euro investment in the website of the company. We assume that internationalization will not require any use of external financing and Cocktail Team will be able to finance it with their own, already existing resources. Our assumptions are explained under each value line in our tables as value drivers.

9.2 Market Size and market share estimations

As mentioned on the overall market analysis of the United Kingdom, the market for bar consulting is estimated to be around $87.8 million. This figure was the result of a series of estimations and assumptions.

The expenditure on hotels and restaurants that for 2020 were $97.6 Billion according to Statista it was assumed that 4.5 % of said revenues are allocated to consulting services. Furthermore, an additional assumption was made that out this 4.5% of revenues, which is around $4,392 million, 2% is used specifically for consultancy services for the bars of said hotels and restaurants finally reaching the $87.8 million figure. To get the overall value of the market in 2023 the market values of the interval between 2020 and 2023 needed to be calculated. It was assumed that in 2021 there was no change as this year was also heavily impacted by Covid-19. For the year 2022 30% of market growth is assumed because of the end of Covid restrictions and for the year 2023 20% of growth is assumed mainly due to inflation, thus we get a market size of $137.0 million in 2023.

In comparison with the estimated market size of $137.0 million CT's first year revenue would mean a market share of 0.04% which would grow to around 1% on the long run.

9.3 Operational plan

9.3.1 Revenue & Cost estimation

Due to the many uncertainties regarding the actual market size in the UK and CT's current market share, a bottom-up approach was used to calculate the estimated revenue of CT in the UK.

In the first year of operation 2023, the revenue value was calculated based on two drivers 1) the number of partnerships CT can secure and 2) the average annual value of these partnerships. (Appendix 27) It was assumed that a bar consulting project is worth around 10,000 Euros and that CT can secure 5 such projects in the first year. CT is expected to have a revenue of 50,000 Euros in the first year which will increase to around 75,000 Euros in the second one. (Appendix 27) CT's financials are calculated in Euro and the average value of a contract is increased every year with the inflation.

In 2023 an inflation rate of 7% was used. From 2024 onwards the rate of increase was 2% as it is the expected inflation outlook for the UK in the period 2024-2027. To stay conservative in this analysis, the average partnership revenue growth expectations for CT are to be the same as the estimated inflation. The number of partnerships are expected to grow gradually from 5 in 2023 to 9 in 2027. Other revenues were based on the ratio 1€ of revenues equals 0.0485€ of other revenues, this was retrieved by calculating this historical average of this ratio for the domestic operations of CT (Appendix 27).

CT operations UK	2023	2024	2025	2026	2027
Net sales	50,000.00 €	74,900.00 €	87,312.00 €	100,190.52 €	102,194.33 €
Nr of long term contracts	*5.00*	*7.00*	*8.00*	*9.00*	*9.00*
Annual value of average contract	10,000.00 €	10,700.00 €	10,914.00 €	11,132.28 €	11,354.93 €
Inflation	7%	2%	2%	2%	2%
State Subsidies	- €	- €	- €	- €	- €
Assumption: no subsidies					
Inventories adjustment	- €	- €	- €	- €	- €
Assumption: 0					
Work done to own entety	- €	- €	- €	- €	- €
Assumption: 0					
Other Revenues	2,430.00 €	3,640.14 €	4,243.36 €	4,869.26 €	4,966.64 €
Assumption: 4.85% of net sales	*4.9%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*
Total revenues	**52,430.00 €**	**78,540.14 €**	**91,555.36 €**	**105,059.78 €**	**107,160.97 €**

Regarding the Cost estimation, for this endeavor, several factors were taken into consideration. First, the Cost of Goods Sold was calculated based on historical data (excluding the covid period) and set that this would account for 12.5% of all revenues, this value is going to be maintained the same throughout the analysis. Secondly, wages were calculated as if CT would need to hire one extra staff member to manage and coordinate this project, this also kept at stable 13000 € (minimal annual wage in Portugal), that was increased with the same factors that we used for average partnership revenues. The second largest expense based on historical data from CT would be External supplies and services, which in the domestic operation account for 45% of all expenses, but due to the nature of this account that has in it expenses such as electricity, water, insurance, leases and gas, this value is decreased to 10% in the first two years and 15% of revenues in the following years, because it is expected to be a much lower cost as there is not going to be a physical location. Marketing expenses account for 16% of revenues in 2023-2024, and from 2024 onwards 14%. Marketing expenses are categorized into two accounts, digital marketing which accounts for 8% in the first two years, then 6% afterward. Secondly, fairs and events are one of the more relevant platforms to drive engagement with corporate clients to CT business. It is expected that this activity annually will account for 8% (of revenues) as usual, these events have high associated costs. Regarding capital expenditure, is forecasted an initial investment of 2000 euros to be depreciated over 5 years, this is to improve CT's existing website and translate it, as an operational expense, website maintenance is forecasted to be a fixed value of 400 euros per year. Lastly travel expenses were calculated, as there is not going to exist any physical location or staff in the UK (as per the entry mode selected). An average plane ticket to go and come back from the UK which is approximately 250 € (Google Flights 2021), and an average accommodation expenditure of 200€ was used as a reference. 10 trips annually to the UK are expected to happen, which comes to a total value of 4500€ or approximately 5% of revenue per year. As CT operations grow in the UK it is expected that more than one person will start to attend events and meet with clients, with this consideration from 2024 onwards the travel expense is forecasted at 10% of revenues (Appendix 28).

9.3.2 Profit and Loss Statement

The P&L statement of the forecasted operation of CT next 6 years highlights some valuable insight. Firstly, the Earnings before interest taxes and depreciation show a positive result from the first year onwards. The only capital investment needed for this project is the improvement and translation of the current CT website for 2000€ to be depreciated for 5 years (400€ yearly). Despite the fact of no need for a physical location in the UK there is still going to be and UK-based legal entity, as required post-Brexit, this entails a corporate tax of 25%. As seen in Table 9, there is an improvement in the profitability metrics until 2024, and a subsequent decrease and stabilization from 2025 onwards. It is expected form that CT UK operation to be profitable in the first year as to the assessment of the market potential, nonetheless, is important to underline that this was made using heavy assumptions that make the forecasted value much higher than the actual one, this one of the major limitations of this model. (Appendix 29).

9.3.3 Operational Risk Analysis

Operational risk is the "*uncertainties and hazards a company faces when it attempts to do its day-to-day business activities within a given field or industry*" *"it can also be defined as an unsystematic risk which is unique to a specific company or industry*" (Investopedia 2022). This type of risk can range from external uncertainties to internal risks. Focusing on the internal risk, stemming from the subsequent human error, systems failures, and misfit controls and procedures. External risks are all risks that the company is subjected to that it does not control ("Internal Risk vs External Risk - Theron" 2021). Regarding the CT UK-based project, this risk would come from internal risk. As this project would be managed at a distance with only one person allocated to it, it would be very prone to lapse and errors. As this is CT's first attempt at internalization the lack of experience is certain to make CT make several mistakes as it does not have the procedures and controls in place to effectively manage this endeavor. Lastly due to the same reason of lack of experience and procedures CT is much more prone to have a mismatched demand and offer from its infrastructure of systems, being digital ones, to physical employee systems. Lastly, the major external risk in the extremely volatile situation that western Europe is in now with one major war, a crisis of living, and rising inflation, as this CT has no control, but are some of the strongest risks to its operations, as client loss purchasing price and stop purchasing cocktails as they are a high-end product

9.4 Financing plan

As we mentioned before, Cocktail Team wants to finance the internationalization with its own financial resources, and they are not willing to use debt. Internal financing is preferred in this situation for the following reasons: i) The project does not require significant amounts of investment. ii) Interest rates are growing, and capital market conditions are not favourable. iii) Cocktail Team already has a quite leveraged balance sheet that would make it harder and costlier for them to leverage the company even more.

9.5 Financial viability of the project

When selecting the appropriate method for internationalization, CT needed to consider its financial boundaries. As an SME that suffered the negative effects of Covid-19 on the hospitability industry, it can only pursue a project with low capital intensity.

Exporting requires almost no capital expenditure as it mostly leverages CT's already existing capabilities, and the additional costs only appear as the actual foreign operations start. Because of the low level of investment needed for this project, looking exclusively at the standalone financial ratios of the project is not recommended as these would only use the minimal capital expenditure as a denominator. Instead of this, we modelled the company's hypothetical financial statements without the project, the forecasted financial statements of the project as a standalone entity and later consolidated and compared the statements. (Appendix 30, 31 and 32)

The standalone ROE of the company is 4% over the first five years (Appendix 33). This ROE value can be increased to 2% until 2027 with the export project that has much higher profitability margins. While the domestic operations of the company operate at a 2% net income to revenue ratio, the export project has a 23-28% margin over the years. This huge increase in profitability is made possible by two factors; 1) CT can profit from economise of scale as they leverage their well-estabilished organizational knowledge, 2) being a Portugal-besed company, CT only needs to pay its employees and suppliers at the Portugese price level while getting its revenues from the UK where prices and wages are higher thus, they can have higher prices.

To decide whether the project is financially desirable, an NPV (net present value) was calculated (Appendix 34). The present value of the cash flows of the exporting project is EUR 268,593. This means that the NPV of the project is EUR 266,593 that is obtained by subtracting the EUR 2,000 upfront investment needed to start it. The present value of the cash flows is calculated by discounting the cash flows with a discount rate that is obtained by the CAPM (Capital Asset Pricing Model). For the calculation of the discount rate see Appendix 35.

Overall, the export project is highly recommended for CT as it can increase its profitability significantly by offering an opportunity where the company can leverage its already existing resources and capabilities and achieve much higher margins. The exporting project has a 23-28% net income to revenue margin in the long term in comparison with the domestic operations having around 2% (Appendix 33). More importantly, it has a large NPV thus by implementing it, CT could significantly increase the value of the company.

9.6 Scenario and Sensitivity Analysis

Believed to be pioneered by Herman Kahn, scenario analysis (or scenario planning) was first used in the context of the US military (Thomas J. Chermack 2001). It is now used to design scenarios and identify their impact on the firm. As for the sensitivity analysis, it is used to gain more granular insight on the impact of specific factors in a model (Borgonovo and Plischke 2016).

Starting off with the scenario analysis two scenarios were created: one optimistic and one pessimist to identify their impact on firm performance, in both scenarios In the pessimistic scenario, 40% decrease of the foreign contracts was assumed that led to the company having only 3 live contracts in 2023 that yielded 52,430 € of revenues. The cost structure was also changed slightly as it was assumed, that most of the costs will be higher compared to the revenues. This way the firm's net income in the first year was 739 €, this grew gradually to 7,133 € in 2027. (Appendix 36) It can be concluded that the exporting project is profitable even if the number of contracts drops by 40%.

In the optimistic scenario, a 40% increase in the number of contracts was assumed. In this scenario, the company can secure 7 contracts in the first year. This was, it can generate 73,402 € of revenues in 2023. The cost structure also changes in this scenario compared to the baseline, because of the presence of economies of scale. This means that in most cases the costs represent a lower % of the revenues than in the baseline scenario. In the optimistic scenario, the firm had a net results of 23,782 € in 2023 that grows gradually to 49,386 € in 2027 (Appendix 37).

The base line can be used as a reference point for the two other scenarios.

After outlining the different scenarios, a sensitivity analysis was also conducted to visualize the effects of numerous factors on the first-year net result of the project. In the model, the main driver or revenues is the number of contracts and the average value of contracts. The analysis was conducted to understand how the changes in these two factors impact the net result in 2023. (Appendix 38)

After better understanding the effects of revenue drivers on the net income of the foreign export project, the net income sensitivity on costs was also analyzed. For this the two biggest variable costs were selected, the COGS and marketing expenses. (Appendix 39).

10. Limitations and Final Recommendations

This paper demonstrates how Cocktail Team, a bar consulting firm, should approach any internationalization project, and which factors to strongly consider.

At a regional level, CT has managed to achieve a good reputation for its services putting them at an advantage when compared to the competition, mainly resulting from the highly specialized know-how that CT's team managed to acquire over the years. This, however, does not translate into a significant advantage regarding networking opportunities outside of said regional market.

By internationalizing, CT would gain access to new potential clients that have seemingly been exhausted in its home market such as high-end hotel chains, which are higher in number in the selected market, the UK. This selection results from several factors, but most importantly due to the distance of this market and how large of a potential market it represents.

In the pursuit of this goal, CT must capitalize on its network as much as possible, as it is capable of displaying past successful endeavors in the form of projects for international hotel chains that are present in both the UK and the home market (Portugal).

When assessing how to internationalize it must be kept in mind that CT's current financial state nullifies any chance at investments that are more capital intensive. However, due to operating in an industry that is knowledge based and requires no product manufacturing or acquisition of expensive equipment/machinery, it is possible to keep costs lower to those of other product-based industries, allowing it to internationalize through less capital-intensive modes. However, these less financially demanding modes also imply lower control over the process.

As such, and as was agreed with CT, the best mode of entry into the UK is through direct exporting, providing UK based bars and hotels with their services from abroad.

Finally, it is worth mentioning some of the limitations that were faced when developing this project. For starters, the actual market for bar consultancy services is difficult to determine as firms that provide bar consulting services seldom have consultancy as their sole source of income, making financial estimates and other performance indicators difficult to calculate and dependent on assumptions. To add to this issue, there is also a lack of data on procedures specific to bar and hotel consulting companies making predictions on the success of the project, once again, based on assumptions with little evidence to support them.

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Appendix

Appendix 0 - Porter Value Chain

Appendix 1 - Income Statement

	2019	2020	2021
Revenues	130,239.79 €	72,767.40 €	115,934.17 €
State Subsidies	1,418.20 €	8,094.51 €	10,347.98 €
Inventories adjustment	- €	- €	
Work done to own entetie	- €	- €	
Other Revenues	18,766.33 €	6,969.68 €	4.88 €
Total revenues	**150,424.32 €**	**87,831.59 €**	**126,287.03 €**
COGS	€ (25,189.98)	€ (4,920.97)	€ (6,585.54)
External supplies and services	€ (74,790.30)	€ (48,252.76)	€ (46,991.88)
Wages expenses	€ (44,339.91)	€ (39,752.24)	€ (55,106.44)
Inventories adjustment	€ -	€ -	
Impairment losses	€ -	€ -	
Other expenses	€ (12,865.96)	€ (9,921.60)	€ (9,619.69)
Total expenses	**€ (157,186.15)**	**€ (102,847.57)**	**€ (118,303.55)**
EBITDA	- 6,761.83 €	- 15,015.98 €	7,983.48 €
D&A	- 3,575.71 €	- 3,575.71 €	- 3,575.71 €
Operating income/EBIT	- 10,337.54 €	- 18,591.69 €	4,407.77 €
Other intrest income	669.99 €	- €	735.84 €
Other intres Expenses	- 1,140.54 €	- 2,329.48 €	- 847.03 €
Income (loss) before income taxes	- 10,808.09 €	- 20,921.17 €	4,296.58 €
Taxes	- 785.52 €	- 875.06 €	- 1,320.66 €
Effective tax rate	0.07 €	0.04 €	- 0.31 €
Net Result	**- 11,593.61 €**	**- 21,796.23 €**	**2,975.92 €**

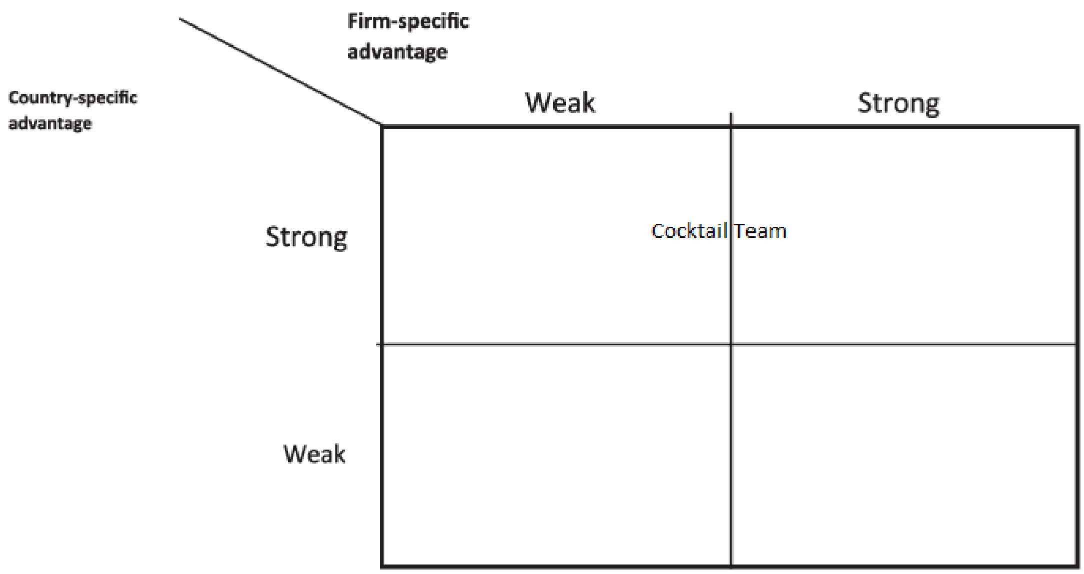
Appendix 2 - Balance Sheet

Balance sheet	2019	2020	2021
Total Assets	**158,426.76 €**	**135,636.98 €**	**150,666.65 €**
Current Assets	65,352.68 €	46,123.36 €	64,919.02 €
Inventories	- €	- €	- €
Clients	2,335.00 €	1,045.50 €	12,299.66 €
Other recivables		3,769.55 €	1.52 €
State and other public entities	4,610.00 €	4,323.73 €	55.42 €
Other current assets	24,190.83 €	22,902.69 €	22,902.69 €
Cash and Cash Equivelants	34,042.33 €	14,081.89 €	29,480.80 €
Diferments	174.52 €	- €	178.93 €
Non Current Assets	93,074.08 €	89,513.62 €	85,747.63 €
Fixed intangeble assets	92,826.63 €	89,250.92 €	85,675.21 €
Intangeble asstes	- €		
Credits and other non current assets	- €		
Investents	247.45 €	262.70 €	72.42 €
Total Liabilities	**70,552.92 €**	**69,514.87 €**	**81,632.62 €**
Current Liabilities	70,552.92 €	69,514.87 €	23,984.76 €
Accounts payable	1,748.24 €	1,120.82 €	5,624.08 €
State and other public entities	3,193.62 €	1,379.03 €	5,789.22 €
Short term debt	64,309.78 €	60,112.29 €	- €
Difer liabilities	- €	- €	- €
Other current liabilities	1,301.28 €	6,902.73 €	12,571.46 €
Non current Liabilities	- €	- €	57,647.86 €
Provisions	- €	- €	
Long term debt	- €	- €	57,647.86 €
Other account payable	- €	- €	
Equity	**87,908.34 €**	**66,112.11 €**	**69,088.03 €**
Reserves	2,500.00 €	2,500.00 €	2,500.00 €
Other legal reserves	72,421.97 €	72,421.97 €	72,421.97 €
Last year result	16,879.98 €	5,286.37 €	- 16,509.86 €
Net result	- 11,593.61 €	- 21,796.23 €	2,975.92 €
Equity underwriten	7,700.00 €	7,700.00 €	7,700.00 €

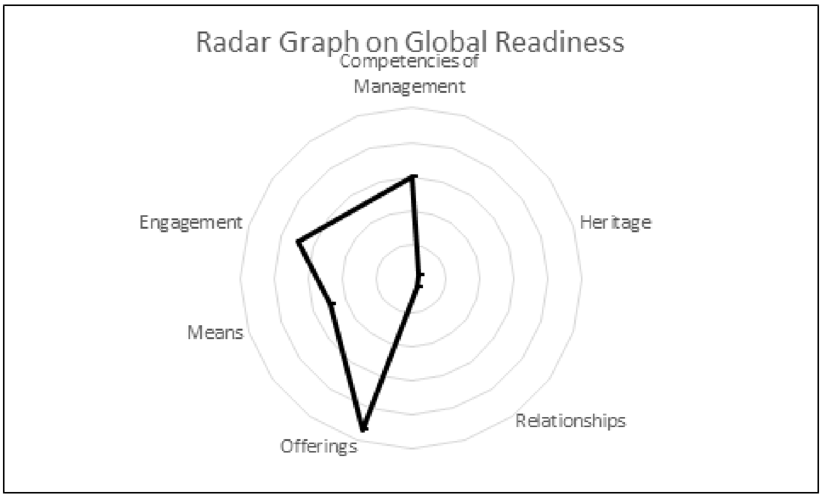
Appendix 3 - Financial Ratios

	2019	2020	2021
	Profitability		
ROA	-7.32%	-16.07%	1.98%
ROE	-13.19%	-32.97%	4.31%
Net profit/Sales	-8.90%	-29.95%	2.57%
EBITDA/SALES	-5.19%	-20.64%	6.89%
	Liquidity		
Cash ratio	0.48	0.20	1.23
Quick ratio	0.52	0.22	1.74
Current ratio	0.93	0.66	2.71
	Capital Structure		
Debt/Equity	80.26%	105.15%	118.16%
Debt/Assets	44.53%	51.25%	54.18%
Equity/assets	55.49%	48.74%	45.85%
Equity/Liabilities	124.60%	95.10%	84.63%

Appendix 4 - CSA-FSA Matrix



Appendix 5 - Global readiness map



Appendix 6 – Variables

Variable	Unit	Year	Source	Type
Population total	Number	2021	World Bank	General Info
Population ages 15-64 (% of total)	Percentage	2021	World Bank	General Info
Population growth (annual %)	Percentage	2021	World Bank	General Info
GDP per capita (current US$)	US Dollars	2020	World Bank	General Info
Average GDP growth (2011-2020)	Percentage	2020	World Bank	General Info
English Profeciency index (0-800)	Score	2021	EF	General Info
Distance from Lisbon	Km	2022	Geodatos	General Info
Urban Population (% of total population)	Percentage	2021	World Bank	General Info
Consumer Expenditure on Spirits	Million US $	2021	PASSPORT	Industry Specific
Average price 500 mls Spirits in US$	US $	2016	WHO	Industry Specific
Average price 500 mls Beer in US$	US $	2016	WHO	Industry Specific
Average price 750 mls Wine in US$	US $	2016	WHO	Industry Specific
Total alcohol consumption per capita (liters of pure alcohol, projected estimates, 15+ years of age)	Liter per capita	2018	World Bank	Industry Specific
Total Volume Spirits Production	Million Liters	2021	PASSPORT	Industry Specific
Production (turnover) MSP	Million US $	2021	PASSPORT	Industry Specific
Total alcohol consumption growth rate	Rate	2018	World Bank	Industry Specific
Ease of doing business score (0 high 100 low)	Score	2019	World Bank	Macro Variables
Political Risk Rating (1 good 7 bad)	Score	2021	Credendo	Macro Variables
Country Risk (0 low 7 high)	Score	2021	OECD	Macro Variables
Economic Freedom Index (0 Not free; 100 Free)	Score	2021	The Heritage Foundation	Macro Variables
Political Freedom Index (0 Not free 100 Free)	Score	2021	Freedom House	Macro Variables
Cultural Distance	Score	2020	Hofstede	Macro Variables

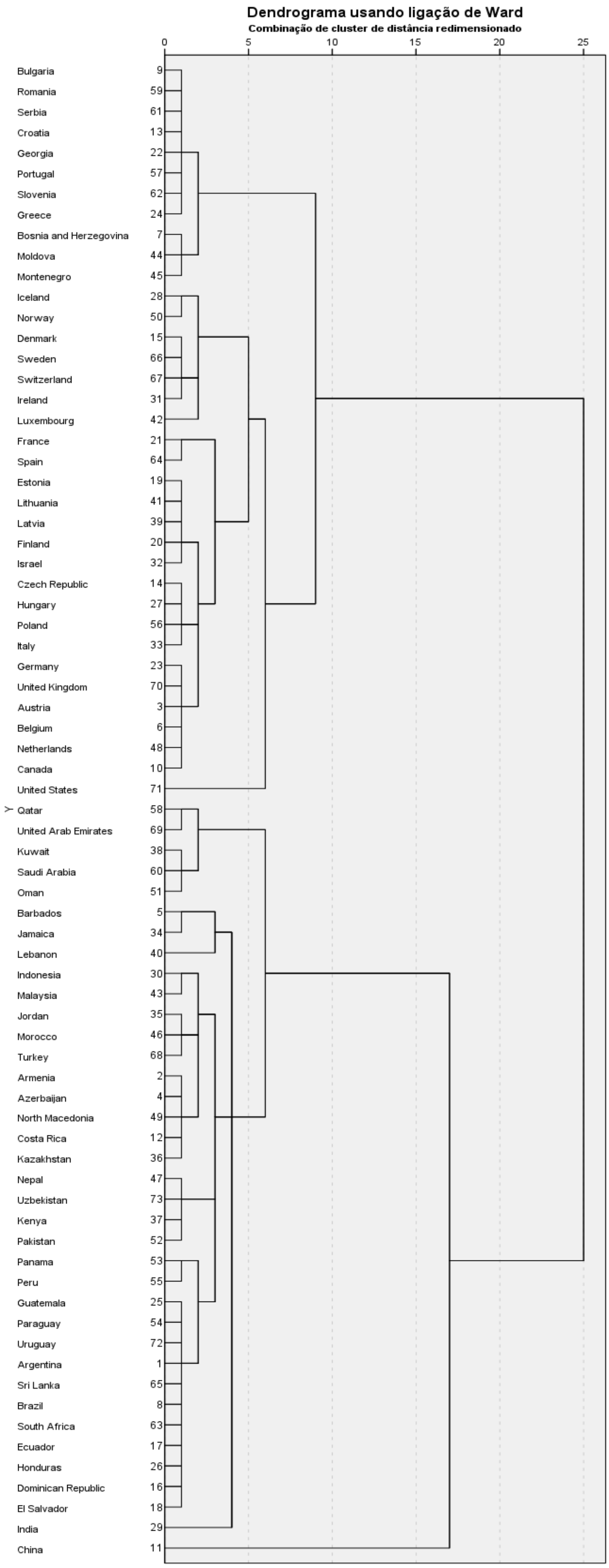
Logistics performance index	Score	2018	World Bank	Macro Variables
Hotels: spending by inbound and domestic travellers	Million US $	2021	PASSPORT	Industry Specific
Food and dining spending (by turist)	Million US $	2021	PASSPORT	Industry Specific
International tourism, number of arrivals	Thousands People	2018		Industry Specific
International tourism, receipts (current US$)	Milions US$	2018	World Bank	Industry Specific
Total consumer spendings on restaurants and hotels by country	Million USD	2020	Statista	Industry Specific

Appendix 7 - Final country pool

COUNTRIES	**COUNTRIES**
Argentina	Kazakhstan
Armenia	Kenya
Austria	Kuwait
Azerbaijan	Latvia
Barbados	Lebanon
Belgium	Lithuania
Bosnia and Herzegovina	Luxembourg
Brazil	Malaysia
Bulgaria	Moldova
Canada	Montenegro
China	Morocco
Costa Rica	Nepal
Croatia	Netherlands
Czech Republic	North Macedonia
Denmark	Norway
Dominican Republic	Oman
Ecuador	Pakistan
El Salvador	Panama
Estonia	Paraguay
Finland	Peru
France	Poland
Georgia	Portugal
Germany	Qatar
Greece	Romania
Guatemala	Saudi Arabia
Honduras	Serbia
Hungary	Slovenia

Iceland	South Africa
India	Spain
Indonesia	Sri Lanka
Ireland	Sweden
Israel	Switzerland
Italy	Turkey
Jamaica	United Arab Emirates
Jordan	United Kingdom
Uzbekistan	United States
	Uruguay

Appendix 8 - Dendogram | Cluster analysis



Appendix 9 - Variables and weight of variables in the analysis

Industry Specific Information		
Alcohol Information		
Consumer expenditure on spirits	14%	29%
Average price for 500ml of spirits	5%	
Total alcohol consumption per capita	10%	
Hotel and Tourism		
International Tourism	7%	14%
Total Consumer spending on restaurants and hotel	7%	

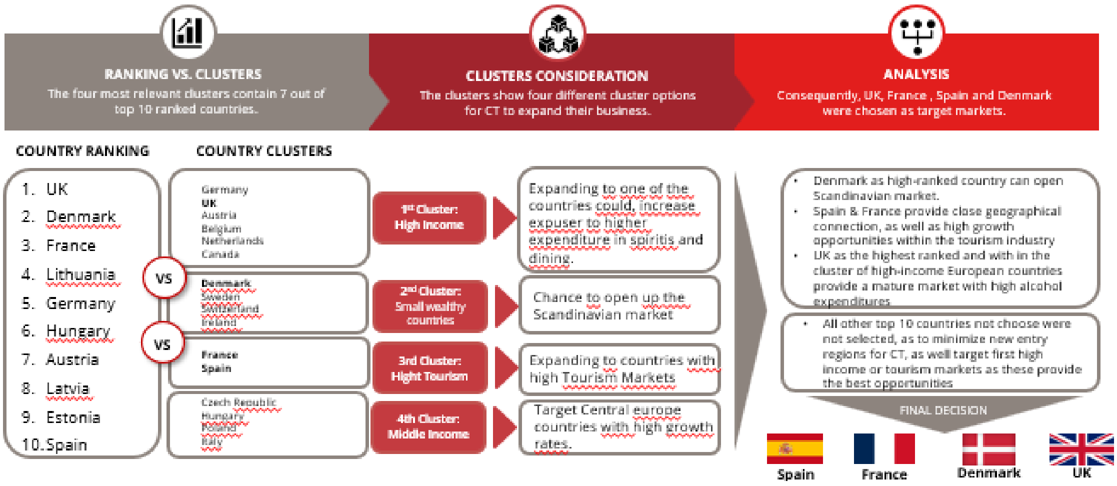
General Information		
Population total	3%	29%
Population age 15-64	5%	
Population growth	3%	
GDP per Capita	6%	
Average GDP growth	3%	
Distance from Lisbon	9%	
Macro performance Variables		
Ease of doing business	10%	28%
Country Risk	3%	
Economic Freedom Index	5%	
Cultural Distance	10%	

Appendix 10 - Country Ranking

Country	**Sum of Rank**	**Country**	**Sum of Rank**
United Kingdom	1	Jamaica	38
France	2	Israel	39
Spain	3	Azerbaijan	40
Denmark	4	Bosnia and Herzegovina	41
Germany	5	Bosnia and Herzegovina	41
Hungary	6	Morocco	42
Austria	7	United Arab Emirates	43
Lithuania	8	Armenia	44
Latvia	9	Panama	45
Czech Republic	10	South Africa	46
Netherlands	11	Malaysia	47
Italy	12	Costa Rica	48
Estonia	13	Dominican Republic	49
Poland	14	El Salvador	50
Belgium	15	Peru	51
Portugal	16	Kenya	52
Sweden	17	Turkey	53
Switzerland	18	Jordan	54

Bulgaria	19
Croatia	20
Georgia	21
Ireland	22
Finland	23
Slovenia	24
Barbados	25
Canada	26
North Macedonia	27
Romania	28
Montenegro	29
United States	30
Serbia	31
Moldova	32
Greece	33
Luxembourg	34
Norway	35
Kazakhstan	36
Iceland	37
Jamaica	38
India	55
Uzbekistan	56
Kuwait	57
Saudi Arabia	58
Lebanon	59
Qatar	60
Uruguay	61
Guatemala	62
Oman	63
Paraguay	64
Brazil	65
Honduras	66
Argentina	67
China	68
Ecuador	69
Sri Lanka	70
Indonesia	71
Nepal	72
Pakistan	73

Appendix 11 - Final Country Selection



Appendix 19 – Portugal market potential

Portugal	**Volume (2019, mUSD)**
Total consumer spendings hotels	6 474,0
Total consumer spendings restaurants	13 976,0
Total revenue of potential customers of CT in Spain	20 450,0
Average Expendutue on consultancy of revenues	1,6%
Total Expediture on Consultancy by Hotels and Restaurants	332,9
F&B costs (estimated by F&B revenue share of US hotels)	25%
Total F&B consulting	83,2
% of bars of F&B consulting	20%
Market Value of bar consultancy	**16,6**

Appendix 20 – Criteria for Selection of target market

Country	Contacts	Competition	Sales Potential	Entry conditions	Interest by CT	Score	Grade	Rank
UK	4	3	5	5	5	22	4.4	1st
Spain	3	4	4	5	4	20	4.0	2nd
France	4	3	5	4	4	20	4.0	2nd
Denmark	4	4	3	5	3	19	3.8	4th

Appendix 21- Entry mode selection criteria

Entry mode selection criteria		Control level
External Elements	Country Risk	low
	Sociocultural Distance	low
	Market size and growth	low/medium
	Intensity of Competition	low
	Trade Barriers	low/medium
	Intermediaries	N/A
Internal Elements	Firm Size	low
	International Experience	low
	Product	medium
Transaction Specific	Tacit know-how	high
Desired mode of Entry	Control	high
	Flexibility	high
	Risk Aversion	low

Appendix 22 – Cocktail Team's competitors in the UK

Company	Rating (0-5)	Yrs of experience	Staff Training	Location	Example of Clients	Observations
Bar Specialists	N/A	N/A	Yes	London	Marriott	Have worked with marriott and intercontinental hotels
					Red Bull	
					Intercontinental Hotels	
Fling Bar Services	N/A	19	No	Midlands	Hilton chain Hotels	Have worked with the most hotels out of all
					Marriot chain Hotels	
					Four seasons hotels	
					Hotels in Saudi Arabia	
The Cocktail Service	4,9	13	Yes	Oxford	No Portfolio for consultancy available	
Arcanum	N/A	N/A	Yes	London	Mostly events hosting	Small amount of clients. No hotels
Coxtails	5 (7 reviews)	13	Yes	London	No Portfolio for consultancy available	Website is not updated

LDN Bar	N/A	10	No	London	Hotels in India, Africa and Europe	Have hotels as clients and their own bar
					Night clubs in Dubai	
					Private member bars in London	
Bartender Lifestyle Academy	5	N/A	Yes	London	Mostly nightclubs and bars	Seem to be more focused as an academy
Peppermin t Bars	N/A	19	No	London		Focuses on bars for music festivals
Interbar	N/A	36	No	Studham (North of London)	Hilton chain Hotels	Have worked with more high-end bars and hotels
					Crowne Plaza	
					Radisson	
					Bars and Restaurants	
Wet and Dry	4,9	N/A	No	London		More focused into event planing
Cocktail Professor	5	N/A	Yes	Main office in the Netherland s	Marriott Chain hotels	Already internationalized into all continents

Appendix 23 – UK's Market Potential

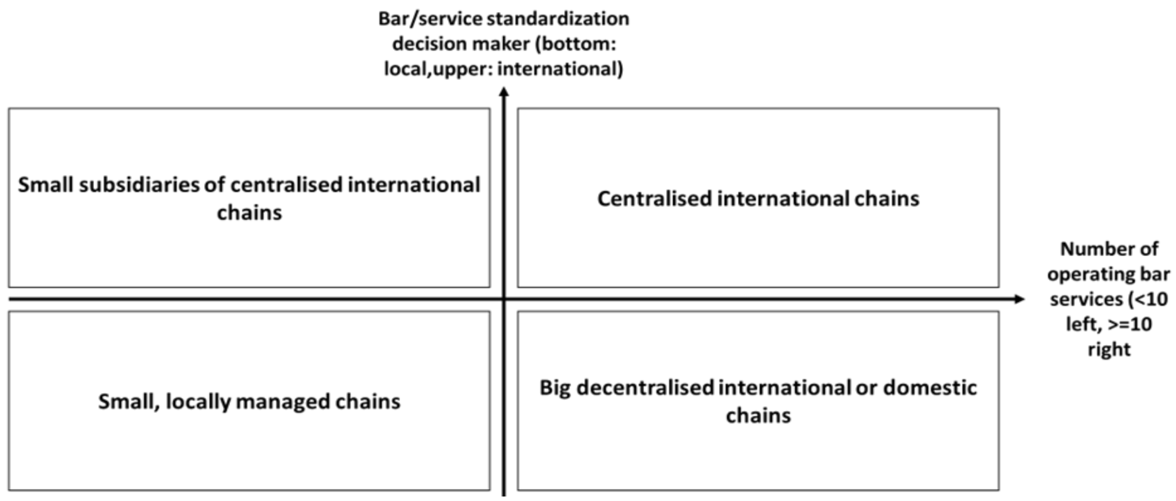
Total Revenues	97 616 740 000,00 €
Of which are consultancy	4,50% 4 392 753 300,00 €
Of which are specific to bar consultancy	2%
TOM	87 855 066,00 €

Appendix 24 – Expected Revenues UK (1st year)

SOM Performance		
TOM	87 855 066,00 €	
Underperform	Neutral	Overperform
0,10%	0,20%	0,30%
87 855,07 €	175 710,13 €	263 565,20 €

Appendix 25 – Positioning map

Appendix 26 – Market segments



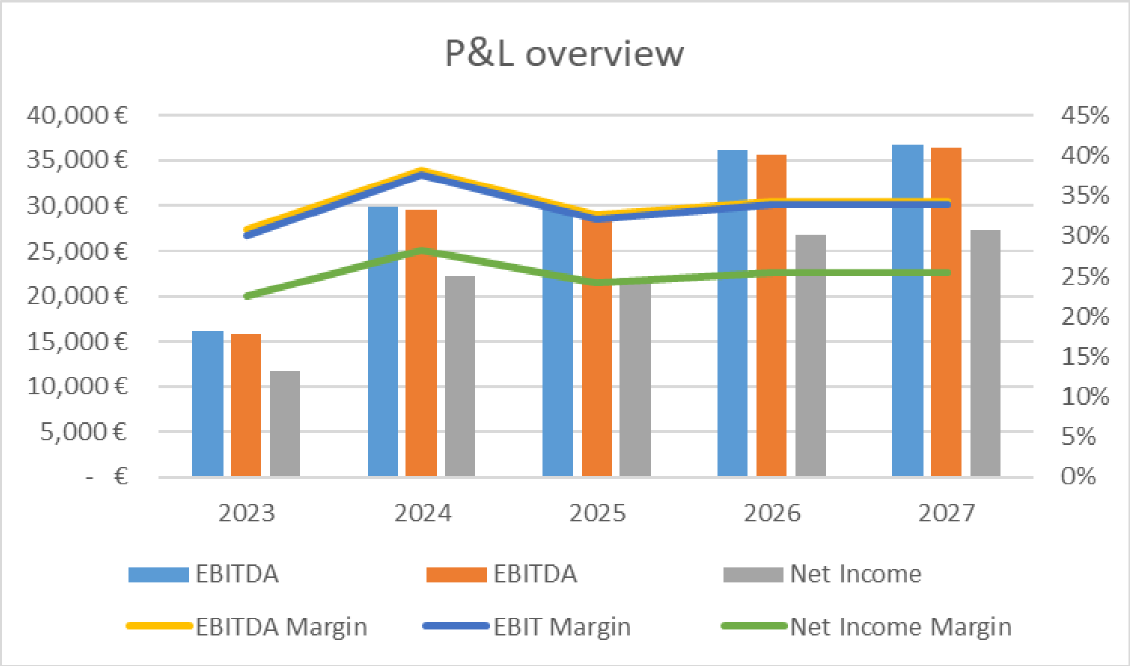
Appendix 27 – Revenues of CT in the UK

CT operations UK	2023	2024	2025	2026	2027
Net sales	50,000.00 €	74,900.00 €	87,312.00 €	100,190.52 €	102,194.33 €
Nr of long term contracts	*5.00*	*7.00*	*8.00*	*9.00*	*9.00*
Annual value of average contract	10,000.00 €	10,700.00 €	10,914.00 €	11,132.28 €	11,354.93 €
Inflation	7%	2%	2%	2%	2%
State Subsidies	- €	- €	- €	- €	- €
Assumption: no subsidies					
Inventories adjustment	- €	- €	- €	- €	- €
Assumption: 0					
Work done to own entety	- €	- €	- €	- €	- €
Assumption: 0					
Other Revenues	2,430.00 €	3,640.14 €	4,243.36 €	4,869.26 €	4,966.64 €
Assumption: 4.85% of net sales	*4.9%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*
Total revenues	**52,430.00 €**	**78,540.14 €**	**91,555.36 €**	**105,059.78 €**	**107,160.97 €**

Appendix 28 – Costs of CT in the UK

CT operations UK	2023	2024	2025	2026	2027
COGS	€ 6,553.75	€ 9,817.52	€ 11,444.42	€ 13,132.47	€ 13,395.12
% of revenue	*12.5%*	*12.5%*	*12.5%*	*12.5%*	*12.5%*
External supplies and services	€ 5,243.00	€ 7,854.01	€ 13,733.30	€ 15,758.97	€ 16,074.15
% of revenue	*10%*	*10%*	*15%*	*15%*	*15%*
Wages expenses	€ 13,000.00	€ 13,910.00	€ 14,188.20	€ 14,471.96	€ 14,761.40
Assumption: 13.000, growing with inflation	*7%*	*2%*	*2%*	*2%*	*2%*
Marketing expenses	**€ 8,388.80**	**€ 12,566.42**	**€ 12,817.75**	**€ 14,708.37**	**€ 15,002.54**
Digital Marketing	€ 4,194.40	€ 6,283.21	€ 5,493.32	€ 6,303.59	€ 6,429.66
% of revenue	*8%*	*8%*	*6%*	*6%*	*6%*
Fairs & Events	€ 4,194.40	€ 6,283.21	€ 7,324.43	€ 8,404.78	€ 8,572.88
% of revenue	*8%*	*8%*	*8%*	*8%*	*8%*
Website Improvement & translation (2000 CAPEX, depreciated over 5 years)	€ -	€ -	€ -	€ -	€ -
Website maintenace	€ 400.00	€ 400.00	€ 400.00	€ 400.00	€ 400.00
Travel expenses	2,685.50 €	4,022.88 €	9,155.54 €	10,505.98 €	10,716.10 €
% of revenue	*5%*	*5%*	*10%*	*10%*	*10%*
Total expenses	**€ 36,271.05**	**€ 48,570.84**	**€ 61,739.21**	**€ 68,977.75**	**€ 70,349.31**

Appendix 29 – P&L overview



Appendix 30 – Income Statement and Balance Sheet forecast of Cocktail Team in Portugal

Balance sheet (Portugal)	**2023**	**2024**	**2025**	**2026**	**2027**
Total Assets	**152,321.81 €**	**155,810.52 €**	**159,437.99 €**	**163,207.01 €**	**167,120.39 €**
Current Assets	66,646.60 €	70,135.31 €	73,762.78 €	77,531.80 €	81,445.18 €
Inventories	- €	- €	- €	- €	- €
Assumption: 0					
Clients	8,900.44	9,078.45	9,260.02	9,445.22	9,634.12
% of sales	*6%*	*6%*	*6%*	*6%*	*6%*
Other recivables	4,851.45	4,948.48	5,047.45	5,148.40	5,251.37
% of sales	*3%*	*3%*	*3%*	*3%*	*3%*
State and other public entities	3,088.87	3,150.65	3,213.66	3,277.94	3,343.50
% of sales	*2%*	*2%*	*2%*	*2%*	*2%*
Financial assets for negotiation	2,622.80	2,675.25	2,728.76	2,783.33	2,839.00
% of sales	*2%*	*2%*	*2%*	*2%*	*2%*
Other current assets	21,239.95	21,664.75	22,098.04	22,540.00	22,990.80
% of sales	*14%*	*14%*	*14%*	*14%*	*14%*
Cash and Cash Equivelants	25,943.09	28,617.73	31,414.85	34,336.91	37,386.40
From CF	*1,612.66*	*2,674.64*	*2,797.12*	*2,922.05*	*3,049.49*
Diferments	-	-	-	-	-
% of sales	*0%*	*0%*	*0%*	*0%*	*0%*
Non Current Assets	85,675.21 €	85,675.21 €	85,675.21 €	85,675.21 €	85,675.21 €
Fixed tangeble assets	85,675.21 €	85,675.21 €	85,675.21 €	85,675.21 €	85,675.21 €
D&A	*4,599.35 €*	*4,599.35 €*	*4,599.35 €*	*4,599.35 €*	*4,599.35 €*
CAPEX	*4,599.35 €*	*4,599.35 €*	*4,599.35 €*	*4,599.35 €*	*4,599.35 €*
Intangeble assets	- €	- €	- €	- €	- €
Assumption: Stays 0					
Credits and other non current assets	- €	- €	- €	- €	- €
Assumption: stays 0					
Investments(finacial assets)	- €	- €	- €	- €	- €
Assumption: will be 0					
Total Liabilities	**77,791.56 €**	**78,194.43 €**	**78,605.37 €**	**79,024.52 €**	**79,452.05 €**
Current Liabilities	20,143.70 €	20,546.57 €	20,957.51 €	21,376.66 €	21,804.19 €
Accounts payable	4,208.19	4,292.35	4,378.20	4,465.76	4,555.08
% of sales	*3%*	*3%*	*3%*	*3%*	*3%*
State and other public entities	4,978.10	5,077.66	5,179.21	5,282.80	5,388.45
% of sales	*3%*	*3%*	*3%*	*3%*	*3%*
Short term debt	- €	- €	- €	- €	- €
Assumption: stays 0	*0%*	*0%*	*0%*	*0%*	*0%*
Difer liabilities	2,992.40	3,052.25	3,113.30	3,175.56	3,239.07
% of sales	*2%*	*2%*	*2%*	*2%*	*2%*
Other current liabilities	7,965.01	8,124.31	8,286.80	8,452.53	8,621.58
% of sales	*5%*	*5%*	*5%*	*5%*	*5%*
Non current Liabilities	57,647.86 €	57,647.86 €	57,647.86 €	57,647.86 €	57,647.86 €
Provisions	- €	- €	- €	- €	- €
Assumption: stays 0					
Long term debt	57,647.86 €	57,647.86 €	57,647.86 €	57,647.86 €	57,647.86 €
Assumption: stays the same					
Other account payable	- €	- €	- €	- €	- €
Assumption: stays 0					
Equity	**74,584.25 €**	**77,670.09 €**	**80,886.63 €**	**84,236.49 €**	**87,722.34 €**
Reserves	2,500.00 €	2,500.00 €	2,500.00 €	2,500.00 €	2,500.00 €
Assumption: stays the same					
Other legal reserves	72,421.97 €	72,421.97 €	72,421.97 €	72,421.97 €	72,421.97 €
Assumption: stays the same					
Accumulated profit over years	- 10,995.41 €	- 8,037.72 €	- 4,951.88 €	- 1,735.34 €	1,614.52 €
Net result	2,957.69 €	3,085.84 €	3,216.54 €	3,349.86 €	3,485.85 €
Dividend payment	- €	- €	- €	- €	- €
Equity underwriten	7,700.00 €	7,700.00 €	7,700.00 €	7,700.00 €	7,700.00 €
Assumption: stays the same					
Check	54.00 €	54.00 €	54.00 €	54.00 €	54.00 €

IS CT Portugal	**2023**	**2024**	**2025**	**2026**	**2027**
Net sales	144,586.02 €	147,477.74 €	150,427.30 €	153,435.84 €	156,504.56 €
Growth	*7%*	*2%*	*2%*	*2%*	*2%*
State Subsidies	- €	- €	- €	- €	- €
Assumption: no more subsidies					
Inventories adjustment	- €	- €	- €	- €	- €
Assumption: 0					
Work done to own entety	- €	- €	- €	- €	- €
Assumption: 0					
Other Revenues	7,008.31 €	7,148.48 €	7,291.45 €	7,437.28 €	7,586.02 €
Assumption: 0.045 x net sales	*4.5%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*
Total revenues	**151,594.33 €**	**154,626.22 €**	**157,718.74 €**	**160,873.12 €**	**164,090.58 €**
COGS	€ 14,686.28	€ 14,980.01	€ 15,279.61	€ 15,585.20	€ 15,896.91
as % of revenue	*10%*	*10%*	*10%*	*10%*	*10%*
External supplies and services	€ 68,693.29	€ 70,067.15	€ 71,468.49	€ 72,897.86	€ 74,355.82
as % of revenue	*45%*	*45%*	*45%*	*45%*	*45%*
Wages expenses	€ 50,790.29	€ 51,806.10	€ 52,842.22	€ 53,899.07	€ 54,977.05
as % of revenue	*34%*	*34%*	*34%*	*34%*	*34%*
Marketing expenses	€ -	€ -	€ -	€ -	€ -
Digital Marketing	€ -	€ -	€ -	€ -	€ -
as % of revenue	*0%*	*0%*	*0%*	*0%*	*0%*
Fairs & Events	€ -	€ -	€ -	€ -	€ -
as % of revenue	*0%*	*0%*	*0%*	*0%*	*0%*
Website expenses					
Website Improvement & translation	€ -	€ -	€ -	€ -	€ -
Website maintenace	€ -	€ -	€ -	€ -	€ -
Travel expenses	- €	- €	- €	- €	- €
as % of revenue	*5%*	*10%*	*10%*	*10%*	*10%*
Other expenses	€ 8,881.53	€ 9,059.17	€ 9,240.35	€ 9,425.16	€ 9,613.66
as % of revenue	*6%*	*6%*	*6%*	*6%*	*6%*
Total expenses	**€ 143,051.40**	**€ 145,912.43**	**€ 148,830.68**	**€ 151,807.29**	**€ 154,843.43**
EBITDA	8,542.93 €	8,713.79 €	8,888.07 €	9,065.83 €	9,247.15 €
D&A	4,599.35 €	4,599.35 €	4,599.35 €	4,599.35 €	4,599.35 €
Operating income/EBIT	3,943.59 €	4,114.45 €	4,288.72 €	4,466.48 €	4,647.80 €
Other intrest income	- €	- €	- €	- €	- €
Other intres Expenses	- €	- €	- €	- €	- €
Income (loss) before income taxes	3,943.59 €	4,114.45 €	4,288.72 €	4,466.48 €	4,647.80 €
Taxes	985.90 €	1,028.61 €	1,072.18 €	1,116.62 €	1,161.95 €
Effective tax rate	*25%*	*25%*	*25%*	*25%*	*25%*
Net Result	**2,957.69 €**	**3,085.84 €**	**3,216.54 €**	**3,349.86 €**	**3,485.85 €**

Appendix 31 – Income Statement and Balance Sheet forecast of Cocktail Team in the UK

Balance sheet	2023	2024	2025	2026	2027
Total Assets	**19,751.11 €**	**34,244.89 €**	**35,602.56 €**	**41,829.85 €**	**42,614.81 €**
Current Assets	18,151.11 €	33,044.89 €	34,802.56 €	41,429.85 €	42,614.81 €
Inventories	- €	- €	- €	- €	- €
Assumption: 0					
Clients	€ 3,078.28	€ 4,611.27	€ 5,375.42	€ 6,168.29	€ 6,291.66
% of sales	6%	6%	6%	6%	6%
Other recivables	€ 1,677.91	€ 2,513.51	€ 2,930.03	€ 3,362.21	€ 3,429.46
% of sales	3%	3%	3%	3%	3%
State and other public entities	€ 1,068.31	€ 1,600.33	€ 1,865.52	€ 2,140.69	€ 2,183.50
% of sales	2%	2%	2%	2%	2%
Financial assets for negotiation	€ -	€ -	€ -	€ -	€ -
% of sales	0%	0%	0%	0%	0%
Other current assets	€ -	€ -	€ -	€ -	€ -
% of sales	0%	0%	0%	0%	0%
Cash and Cash Equivelants	€ 12,326.61	€ 24,319.78	€ 24,631.58	€ 29,758.65	€ 30,710.19
% of sales	€ 10,326.61	€ 11,993.17	€ 311.80	€ 5,127.07	€ 951.53
Diferments	€ -	€ -	€ -	€ -	€ -
% of sales	0%	0%	0%	0%	0%
Non Current Assets	1,600.00 €	1,200.00 €	800.00 €	400.00 €	- €
Fixed tangeble assets	- €	- €	- €	- €	- €
D&A					
CAPEX					
Intangible assets	1,600.00 €	1,200.00 €	800.00 €	400.00 €	- €
Value at beginning of year	2,000.00 €	1,600.00 €	1,200.00 €	800.00 €	400.00 €
D&A	400.00 €	400.00 €	400.00 €	400.00 €	400.00 €
Credits and other non current assets	- €	- €	- €	- €	- €
Assumption: stays 0					
Investments(finacial assets)	- €	- €	- €	- €	- €
Assumption: will be 0					
Total Liabilities	**5,931.90 €**	**8,885.99 €**	**10,358.52 €**	**11,886.40 €**	**12,124.13 €**
Current Liabilities	5,931.90 €	8,885.99 €	10,358.52 €	11,886.40 €	12,124.13 €
Accounts payable	€ 1,455.43	€ 2,180.24	€ 2,541.53	€ 2,916.41	€ 2,974.74
% of sales	3%	3%	3%	3%	3%
State and other public entities	€ 1,721.71	€ 2,579.12	€ 3,006.52	€ 3,449.98	€ 3,518.98
% of sales	3%	3%	3%	3%	3%
Short term debt	- €	- €	- €	- €	- €
Assumption: stays 0					
Difer liabilities	€ -	€ -	€ -	€ -	€ -
Assumption: 0					
Other current liabilities	€ 2,754.76	€ 4,126.63	€ 4,810.47	€ 5,520.01	€ 5,630.41
% of sales	5%	5%	5%	5%	5%
Non current Liabilities	- €	- €	- €	- €	- €
Provisions	- €	- €	- €	- €	- €
Assumption: stays 0					
Long term debt	- €	- €	- €	- €	- €
Assumption: 0					
Other account payable	- €	- €	- €	- €	- €
Assumption: stays 0					
Equity	**13,819.21 €**	**25,358.90 €**	**25,244.03 €**	**29,943.44 €**	**30,490.67 €**
Reserves	- €	- €	- €	- €	- €
Assumption: 0					
Other legal reserves	- €	- €	- €	- €	- €
Assumption: 0					
Accumulated profit over years	- €	11,819.21 €	23,358.90 €	23,244.03 €	27,943.44 €
Net result less dividends	*11,819.21 €*	*11,539.69 €*	*- 114.86 €*	*4,699.41 €*	*547.23 €*
Net result	11,819.21 €	22,176.98 €	22,062.11 €	26,761.52 €	27,308.75 €
Dividend payment		10,637.29 €	22,176.98 €	22,062.11 €	26,761.52 €
payout ratio	0.80 €	0.90 €	1.00 €	1.00 €	1.00 €
Equity underwriten	2,000.00 €	2,000.00 €	2,000.00 €	2,000.00 €	2,000.00 €
Assumption: stays the same					
Check	- €	- €	- €	- €	- €

CT operations UK	2023	2024	2025	2026	2027
Net sales	50,000.00 €	74,900.00 €	87,312.00 €	100,190.52 €	102,194.33 €
Nr of long term contracts	*5.00*	*7.00*	*8.00*	*9.00*	*9.00*
Annual value of average contract	10,000.00 €	10,700.00 €	10,914.00 €	11,132.28 €	11,354.93 €
Inflation	7%	2%	2%	2%	2%
State Subsidies	- €	- €	- €	- €	- €
Assumption: no subsidies					
Inventories adjustment	- €	- €	- €	- €	- €
Assumption: 0					
Work done to own entety	- €	- €	- €	- €	- €
Assumption: 0					
Other Revenues	2,430.00 €	3,640.14 €	4,243.36 €	4,869.26 €	4,966.64 €
Assumption: 4.85% of net sales	*4.9%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*
Total revenues	**52,430.00 €**	**78,540.14 €**	**91,555.36 €**	**105,059.78 €**	**107,160.97 €**

CT operations UK	2023	2024	2025	2026	2027
COGS	€ 6,553.75	€ 9,817.52	€ 11,444.42	€ 13,132.47	€ 13,395.12
% of revenue	*12.5%*	*12.5%*	*12.5%*	*12.5%*	*12.5%*
External supplies and services	€ 5,243.00	€ 7,854.01	€ 13,733.30	€ 15,758.97	€ 16,074.15
% of revenue	*10%*	*10%*	*15%*	*15%*	*15%*
Wages expenses	€ 13,000.00	€ 13,910.00	€ 14,188.20	€ 14,471.96	€ 14,761.40
Assumption: 13.000, growing with inf	*7%*	*2%*	*2%*	*2%*	*2%*
Marketing expenses	**€ 8,388.80**	**€ 12,566.42**	**€ 12,817.75**	**€ 14,708.37**	**€ 15,002.54**
Digital Marketing	€ 4,194.40	€ 6,283.21	€ 5,493.32	€ 6,303.59	€ 6,429.66
% of revenue	*8%*	*8%*	*6%*	*6%*	*6%*
Fairs & Events	€ 4,194.40	€ 6,283.21	€ 7,324.43	€ 8,404.78	€ 8,572.88
% of revenue	*8%*	*8%*	*8%*	*8%*	*8%*
Website Improvement & translation	€ -	€ -	€ -	€ -	€ -
Website maintenace	€ 400.00	€ 400.00	€ 400.00	€ 400.00	€ 400.00
Travel expenses	2,685.50 €	4,022.88 €	9,155.54 €	10,505.98 €	10,716.10 €
% of revenue	*5%*	*5%*	*10%*	*10%*	*10%*
Total expenses	**€ 36,271.05**	**€ 48,570.84**	**€ 61,739.21**	**€ 68,977.75**	**€ 70,349.31**
EBITDA	16,158.95 €	29,969.30 €	29,816.15 €	36,082.03 €	36,811.67 €
D&A	400.00 €	400.00 €	400.00 €	400.00 €	400.00 €
Operating income/EBIT	15,758.95 €	29,569.30 €	29,416.15 €	35,682.03 €	36,411.67 €
Other intrest income	- €	- €	- €	- €	- €
Other intres Expenses	- €	- €	- €	- €	- €
Income (loss) before income taxes	15,758.95 €	29,569.30 €	29,416.15 €	35,682.03 €	36,411.67 €
Taxes	3,939.74 €	7,392.33 €	7,354.04 €	8,920.51 €	9,102.92 €
Effective tax rate	25%	25%	25%	25%	25%
Net Result	**11,819.21 €**	**22,176.98 €**	**22,062.11 €**	**26,761.52 €**	**27,308.75 €**

Appendix 32 – Consolidated BS and IS

	2023	2024	2025	2026	2027
Total Assets	**€ 172,072.9**	**€ 190,055.4**	**€ 195,040.6**	**€ 205,036.9**	**€ 209,735.2**
Current Assets	€ 84,797.7	€ 103,180.2	€ 108,565.3	€ 118,961.6	€ 124,060.0
Non Current Assets	€ 87,275.2	€ 86,875.2	€ 86,475.2	€ 86,075.2	€ 85,675.2
Total Liabilities	**€ 83,723.5**	**€ 87,080.4**	**€ 88,963.9**	**€ 90,910.9**	**€ 91,576.2**
Current Liabilities	€ 26,075.6	€ 29,432.6	€ 31,316.0	€ 33,263.1	€ 33,928.3
Non current Liabilities	€ 57,647.9	€ 57,647.9	€ 57,647.9	€ 57,647.9	€ 57,647.9
Equity	**€ 88,403.5**	**€ 103,029.0**	**€ 106,130.7**	**€ 114,179.9**	**€ 118,213.0**
Reserves	€ 2,500.0	€ 2,500.0	€ 2,500.0	€ 2,500.0	€ 2,500.0
Net result	€ 14,776.9	€ 25,262.8	€ 25,278.7	€ 30,111.4	€ 30,794.6
Equity underwritten	€ 9,700.0	€ 9,700.0	€ 9,700.0	€ 9,700.0	€ 9,700.0
Total revenues	**€ 194,106.9**	**€ 230,134.5**	**€ 246,181.6**	**€ 262,778.5**	**€ 268,034.1**
Total expenses	**€ 179,322.5**	**€ 194,483.3**	**€ 210,569.9**	**€ 220,785.0**	**€ 225,192.7**
EBITDA	€ 24,701.9	€ 38,683.1	€ 38,704.2	€ 45,147.9	€ 46,058.8
Net Result	**€ 14,776.9**	**€ 25,262.8**	**€ 25,278.7**	**€ 30,111.4**	**€ 30,794.6**

Appendix 33 – Profitability ratios

ROE (result T / equity t-1)	**2023**	**2024**	**2025**	**2026**	**2027**
Only domestic	4%	4%	4%	4%	4%
Only export project	591%	160%	87%	106%	91%
Total with export project	20%	29%	25%	28%	27%
ROA (result T / equity t-1)	**2023**	**2024**	**2025**	**2026**	**2027**
Only domestic	2%	2%	2%	2%	2%
Only export project	591%	112%	64%	75%	65%
Total with export project	10%	15%	13%	15%	15%
Net income/Revenue	**2023**	**2024**	**2025**	**2026**	**2027**
Only domestic	2%	2%	2%	2%	2%
Only export project	23%	28%	24%	25%	25%
Total with export project	8%	11%	10%	11%	11%

Appendix 34 – NPV calculation

	2023	2024	2025	2026	2027
CF with dividends	**10,326.61 €**	**22,630.46 €**	**22,488.77 €**	**27,189.18 €**	**27,713.06 €**
Discount rate	9.46%	9.46%	9.46%	9.46%	9.46%
T	1	2	3	4	5
PV of CFs	**9,434.47**	**18,889.17**	**17,149.24**	**18,942.40**	**204,177.34**
PV of project					
					268,592.62
Investment					
					2,000.00
NPV					
					266,592.62

Appendix 35 - Cost of capital calculation

Cost of capital calculation for the exporting project		
Unlevered beta of the hospitability	1.34	Link
Market return	7.90%	Link
UK risk free rate	3.32%	Link
Cost of capital	**9.46%**	

Appendix 36 - Pessimistic scenario

	2023	2024	2025	2026	2027
Net sales	30,000 €	44,940 €	52,387 €	60,114 €	61,317 €
Nr of long term contracts	*3.00*	*4.20*	*4.80*	*5.40*	*5.40*
Annual value of average contract	*10,000 €*	*10,700 €*	*10,914 €*	*11,132 €*	*11,355 €*
Inflation	*7%*	*2%*	*2%*	*2%*	*2%*
Assumption: 0	- €	- €	- €	- €	- €
Other Revenues	1,458 €	2,184 €	2,546 €	2,922 €	2,980 €
Assumption: 4.85% of net sales	*5%*	*5%*	*5%*	*5%*	*5%*
Total revenues	**31,458 €**	**47,124 €**	**54,933 €**	**63,036 €**	**64,297 €**
CT operations UK	**2023**	**2024**	**2025**	**2026**	**2027**
COGS	4,404 €	6,597 €	7,691 €	8,825 €	9,002 €
As % of revenue (more than baseline)	*14%*	*14%*	*14%*	*14%*	*14%*
External supplies and services	3,775 €	5,655 €	9,339 €	10,716 €	10,930 €
As % of revenue (more than baseline)	*12%*	*12%*	*17%*	*17%*	*17%*
Wages expenses	13,000 €	13,910 €	14,188 €	14,472 €	14,761 €
Same as baseline					
Marketing expenses	6,292 €	9,425 €	9,888 €	11,346 €	11,573 €
Digital Marketing	3,146 €	4,712 €	4,395 €	5,043 €	5,144 €
As % of revenue (more than baseline)	*10%*	*10%*	*8%*	*8%*	*8%*
Fairs & Events	3,146 €	4,712 €	5,493 €	6,304 €	6,430 €
As % of revenue (more than baseline)	*10%*	*10%*	*10%*	*10%*	*10%*
Website maintenace	400 €	400 €	400 €	400 €	400 €
Travel expenses	2,202 €	3,299 €	6,592 €	7,564 €	7,716 €
As % of revenue (more than baseline)	*7%*	*7%*	*12%*	*12%*	*12%*
Total expenses	**30,073 €**	**39,286 €**	**48,097 €**	**53,324 €**	**54,382 €**
	0	0	0	0	0
EBITDA	1,385 €	7,838 €	6,836 €	9,712 €	9,914 €
D&A	400 €	401 €	402 €	403 €	404 €
Operating income/EBIT	985 €	7,437 €	6,434 €	9,309 €	9,510 €
Other intrest income	0	0	0	0	0
Other intres Expenses	0	0	0	0	0
Income (loss) before income taxes	985 €	7,437 €	6,434 €	9,309 €	9,510 €
Taxes	246 €	1,859 €	1,608 €	2,327 €	2,378 €
Effective tax rate	*25%*	*25%*	*25%*	*25%*	*25%*
Net Result	739 €	5,578 €	4,825 €	6,982 €	7,133 €

Appendix 37 - Optimistic scenario

Optimistic scenario (the company secures 40% more contracts than anticipated)					
	2023	2024	2025	2026	2027
Net sales	70,000 €	104,860 €	122,237 €	140,267 €	143,072 €
Nr of long term contracts	*7.00*	*9.80*	*11.20*	*12.60*	*12.60*
Annual value of average contract	*10,000 €*	*10,700 €*	*10,914 €*	*11,132 €*	*11,355 €*
Inflation	*7%*	*2%*	*2%*	*2%*	*2%*
Assumption: 0	*- €*	*- €*	*- €*	*- €*	*- €*
Other Revenues	3,402 €	5,096 €	5,941 €	6,817 €	6,953 €
Assumption: 4.85% of net sales	*5%*	*5%*	*5%*	*5%*	*5%*
Total revenues	**73,402 €**	**109,956 €**	**128,178 €**	**147,084 €**	**150,025 €**
CT operations UK	**2023**	**2024**	**2025**	**2026**	**2027**
COGS	8,808 €	13,195 €	15,381 €	17,650 €	18,003 €
As % of revenue (more than baseline)	*12%*	*12%*	*12%*	*12%*	*12%*
External supplies and services	5,872 €	8,796 €	16,663 €	19,121 €	19,503 €
As % of revenue (more than baseline)	*8%*	*8%*	*13%*	*13%*	*13%*
Wages expenses	13,000 €	13,910 €	14,188 €	14,472 €	14,761 €
Same as baseline					
Marketing expenses	10,276 €	15,394 €	15,381 €	17,650 €	18,003 €
Digital Marketing	5,138 €	7,697 €	6,409 €	7,354 €	7,501 €
As % of revenue (more than baseline)	*7%*	*7%*	*5%*	*5%*	*5%*
Fairs & Events	5,138 €	7,697 €	8,972 €	10,296 €	10,502 €
As % of revenue (more than baseline)	*7%*	*7%*	*7%*	*7%*	*7%*
Website maintenace	400 €	400 €	400 €	400 €	- €
Travel expenses	2,936 €	4,398 €	11,536 €	13,238 €	13,502 €
As % of revenue (more than baseline)	*4%*	*4%*	*9%*	*9%*	*9%*
Total expenses	**41,293 €**	**56,093 €**	**73,550 €**	**82,530 €**	**83,773 €**
	29569.30353	29416.15115	35682.02895	36411.66953	0
EBITDA	32,109 €	53,863 €	54,628 €	64,553 €	66,252 €
D&A	400 €	401 €	402 €	403 €	404 €
Operating income/EBIT	31,709 €	53,462 €	54,226 €	64,150 €	65,848 €
Other intrest income	0.282364886	0.240970191	0.254726613	0.254838594	0
Other intres Expenses	0	0	0	0	0
Income (loss) before income taxes	31,709 €	53,462 €	54,226 €	64,150 €	65,848 €
Taxes	7,927 €	13,365 €	13,556 €	16,038 €	16,462 €
Effective tax rate	*25%*	*25%*	*25%*	*25%*	*25%*
Net Result	23,782 €	40,096 €	40,669 €	48,113 €	49,386 €

Appendix 38 - Net income sensitivity to revenue drivers

Net income sensitivity to no. of contracts and average value of contracts in 2023							
		No. of contracts					
Average value of contract		1	2	3	5	7	9
	5000	- 8,133.08 €	- 5,916.16 €	- 3,699.24 €	734.61 €	5,168.45 €	9,602.29 €
	7500	- 7,024.62 €	- 3,699.24 €	- 373.86 €	6,276.91 €	12,927.67 €	19,578.43 €
	10000	- 5,916.16 €	- 1,482.32 €	2,951.53 €	11,819.21 €	20,686.89 €	29,554.58 €
	12500	- 4,807.70 €	734.61 €	6,276.91 €	17,361.51 €	28,446.12 €	39,530.72 €
	15000	- 3,699.24 €	2,951.53 €	9,602.29 €	22,903.82 €	36,205.34 €	49,506.87 €

Appendix 39 - Net income sensitivity to COGS and marketing expenses

Net income sensitivity to COGS and Marketing expenses in 2023						
		COGS				
		3500	5000	6553.75	8000	9500
Marketing expenses	2500	18,526.12 €	17,401.12 €	16,235.81 €	15,151.12 €	14,026.12 €
	5000	16,651.12 €	15,526.12 €	14,360.81 €	13,276.12 €	12,151.12 €
	8389	14,109.37 €	12,984.37 €	11,819.06 €	10,734.37 €	9,609.37 €
	11000	12,151.12 €	11,026.12 €	9,860.81 €	8,776.12 €	7,651.12 €
	13500	10,276.12 €	9,151.12 €	7,985.81 €	6,901.12 €	5,776.12 €