

# Cases in Internationalisation of Small and Medium Sized Enterprises

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Oberman Peterka, Sunčica; Erceg, Aleksandar; Perić, Julija; Delić, Anamarija; Lehmann, Tine; Wohlgetmuth, Veit

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JOSIP JURAJ STROSSMAYER UNIVERSITY OF OSIJEK  
FACULTY OF ECONOMICS IN OSIJEK

# INTENSE

**INT**ernational **EN**trepreneurship **S**kills **E**urope

Sunčica Oberman Peterka – Aleksandar Erceg – Julia Perić  
– Anamarija Delić – Tine Lehmann - Veit Wohlgemuth

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# FOREWORD

The case studies in this book are one outcome of the Erasmus+ project INTERNATIONAL Entrepreneurship Skills Europe (INTENSE) which ended in August 2019. The project aimed to achieve targets set out in the “Agenda for the modernisation of Europe’s higher education systems” by improving the quality and relevance of higher education, by promoting mobility and cross-border cooperation, and by linking higher education, research and business sectors.

The main project partners were five HEIs from different European countries: Hochschule für Technik und Wirtschaft Berlin, Germany, Turku University of Applied Sciences, Finland, Hogeschool Utrecht, the Netherlands, University Colleges Leuven-Limburg, Belgium and Josip Juraj Strossmayer of Osijek, Faculty of Economics in Osijek, Croatia.

The objective of the project was to develop and implement an innovative and multifaceted teaching module on the internationalisation of SMEs to boost the entrepreneurial behaviour and internationalization of students, HEI staff and SMEs. These characteristics are linked to increased employability of both HEI students and HEI university staff, and to a better understanding of the process of internationalisation of SMEs by students and SMEs.

The development of innovation competences and versatile international skills requires practice-oriented learning environments, the utilization of active learning, and innovative teaching methods. Lecturers are key players in supporting students’ innovation-oriented action, by deviating from the traditional teacher-centred approach. Instead, the project relied on international university-company cooperation as a learning environment. This enhanced not only students’ but also teachers’ and SMEs’ innovation competences, entrepreneurial skills and knowledge about internationalisation beyond classical classroom teaching. The involved SMEs also benefitted by receiving advice on their international business activities.

However, the students did not just consult local SMEs in their internationalisation process but also cooperated with another student team in the target market of the SME’s internationalisation. The students documented their consultancy stories in teaching case studies. In this book we are presenting some of the case studies that are one result of the students’ and professors’ work during the transnational student consultancy projects. The cases summarise the main challenges that our partner firms faced and that the students were supposed to solve. We hope you will find them useful for your classes and that you and your students can benefit from our learning experience through these cases. The teaching notes to each case are available upon request in a separate booklet.

Editors & Authors

## Overview of the Case Studies

#	Title of the case	Industry	Overall Topics	Theoretical Models	Tasks/Research Questions
1	BB GmbH Internationalisation into Brazil	IT service provider	Decision whether to internationalise or not Market entry: market analysis and market entry mode	> internal analysis > external analysis, e.g. PESTEL > SWOT: analysis of Opportunities and Threats	> assess whether the company should internationalise in the first place > external analysis in order to assess whether Brazil is a suitable target market > choice of suitable market entry mode to enter the Brazilian market
2	For the Love of Bread	Traditional bread manufacturer	Finding the right strategy to promote traditional German bread, Market entry: Internationalisation problem in the US: targeted market	> short case: used as an example case in class	> In which development step are they and how it connected to its company's issues > what are their motives for internationalisation and their core problems in the US
3	Carta's plan for export	Packaging industry	> Internationalisation > Market entry: choice of market entry mode	> SWOT > market entry strategies	> What are the biggest obstacles for Carta's entrance into Belgium? Explore all aspects of the Belgium market and create a SWOT analysis of Carta's market entry to Belgium. > What changes need to be made in the production process in order to adapt its offer to the Belgian market? > How should Carta approach customers in the Belgian market?



#	Title of the case	Industry	Overall Topics	Theoretical Models	Tasks/Research Questions
3	Europlast goes to Holland	Car trailers producer	<ul style="list-style-type: none"> <li>&gt; Internationalisation</li> <li>&gt; Market entry: market analysis and choice of market entry mode</li> </ul>	<ul style="list-style-type: none"> <li>&gt; SWOT</li> <li>&gt; External analysis (to get more information e.g demand in Dutch market, product preferences, potential buyer )</li> </ul>	<ul style="list-style-type: none"> <li>&gt; make decision whether to use it's on sales channels or to use distributors</li> <li>&gt; recognise the obstacles for company</li> <li>&gt; Find strategy to full-fill the Dutch market requirements</li> </ul>
4	Eu-ro-Trans GmbH to Internationalise to Croatia	Logistics and transport	<ul style="list-style-type: none"> <li>&gt; Decision to internationalise due to the lack of qualified truck driver in the current market</li> <li>&gt; Market entry : market entry mode, job market</li> </ul>	<ul style="list-style-type: none"> <li>&gt; External analysis e.g PESTEL ( to get a basic information about business condition in Croatia ) and statistical data</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Identify strategy to attract truck drivers.</li> <li>&gt; Identify the main challenge of foreign employment and how to overcome it</li> <li>&gt; Choice of market entry mode to minimise the risk of entering a foreign market.</li> <li>&gt; External analysis in order to find key factor of internationalisation ( legal framework, tax system, etc.)</li> </ul>
5	FIYLO Deutschland GmbH	MICE industry	Decision whether to internationalise or not Market entry : decision making structure	<ul style="list-style-type: none"> <li>&gt; External analysis e.g initial screening, PESTEL</li> <li>&gt; Porter's five forces</li> </ul>	<ul style="list-style-type: none"> <li>&gt; assess whether the company should internationalise in the first place</li> <li>&gt; External analysis to have a clear internationalisation process and identify important factors to analyse</li> <li>&gt; Identify additional internationalisation's challenge for small companies</li> </ul>

#	Title of the case	Industry	Overall Topics	Theoretical Models	Tasks/Research Questions
6	How Project Management Leads to Success at GHT	Heat technology and Recovery	Upcoming projects to improve company's profit in market share and resolve financial issues	<ul style="list-style-type: none"> <li>&gt; Internal analysis</li> <li>&gt; GRPI model</li> <li>&gt; The Katzenbach and Smith Model</li> <li>&gt; The T7 Model of Team Effectiveness.</li> <li>&gt; WBS</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Using FSNP Model to show different stages of project management, identify possible problem and how to overcome it.</li> <li>&gt; Using WBS to have a clear overview of the task and to see the actions and milestones that are needed in the project</li> </ul>
7	Buying a Packaging Machine	Automatic wrapping machine manufacturer	Decision to choose the best supplier for the wrapping machine Data acquisition due to the economic scale of the machine	<ul style="list-style-type: none"> <li>&gt; Internal analysis</li> <li>&gt; AIDA mnemonic</li> <li>&gt; Buyer's decision process.</li> <li>&gt; Purchasing process model</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Gather useful information to know accurate and reliable data for purchasing process.</li> <li>&gt; Understand how to evaluate data.</li> <li>&gt; Identify the importance of data distribution</li> </ul>
8	Laitilan Wirvoitusjuomat: How to Enter the German Market	Food & Beverages (Alcoholic beverages)	Decision whether to internationalise or not Market entry: market entry strategy, marketing strategy	<ul style="list-style-type: none"> <li>&gt; SWOT.</li> <li>&gt; External analysis: field research (interview)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Assess the attitude of gluten-free products in German market</li> <li>&gt; Using SWOT analysis to know the competitors (threat) and important factor that needs to be considered by entering the market</li> </ul>
9	Leveraxe going abroad	Wood chopping products	Market entry: access to global market Internationalisation: International marketing ; identify how to import and sell Leveraxe's product (strategy)	<ul style="list-style-type: none"> <li>&gt; External analysis (identify potential market)</li> <li>&gt; Internal analysis (marketing strategy to sell various products)</li> </ul>	Find the best way to get Leveraxe to customer in target country by choosing the most suitable sales channel for country's market

#	Title of the case	Industry	Overall Topics	Theoretical Models	Tasks/Research Questions
10	Going Abroad to Fight Migraines: The internationalisation of M-Diary	Medical app	Decision which country is the most suitable for internationalisation Market entry: market analysis	> PESTEL > External analysis (advantages & disadvantages)	> Using PESTEL to get a clear picture of each country > External analysis to find advantages and disadvantages of each market and to make decision to which country the company should internationalise
11	Internationalisation of Nixed	Public Relations Company	Market entry: Internationalisation strategy for PR companies	> Marketing strategy: 4Ps > SWOT > Jigsaw / World Cafe Method > industry analysis > Porter's five forces"	> choice of ideal internationalisation strategy for the PR agency: between local freelancers, partnership with foreign agencies, PR press release service distributors or other channel with a focus on UK, USA, France, Italy and Spain > Industry analysis in the five target countries
12	Ortostep: Improving Logistics	Medical footwear	Market entry: market analysis and choice of market entry mode	> SWOT > Dunning's eclectic paradigm (to some extent)	> Do a SWOT analysis for the company > Choice of market entry mode for Belgian market > Market analysis of Belgian market > Logistics: most suitable mode of transportation

#	Title of the case	Industry	Overall Topics	Theoretical Models	Tasks/Research Questions
13	Ortostep goes to Finland	Medical footwear	Internationalisation to Finland Market entry: potential customer, competition, distribution channel	> SWOT. > PESTEL	> Do a SWOT analysis to help develop business strategy > PESTEL analysis to find obstacles the company have to face entering Finnish market. > Choice of market entry mode > Competition market analysis for medical footwear in Finland > Decision whether to enter the market or not
14	A Dream of Safe Railway System	Railways manufacturer	Decision to find the right country for internationalisation (internationalisation objectives) Market entry: market analysis of EU market	> External analysis e.g. Macro screening	> market analysis of 5 European countries > choice of target market: country ranking > choice of most suitable market entry mode
15	Shovel Bike Parts	Bike manufacturer	Market entry: market analysis and choice of market entry mode	> SWOT	> Do a SWOT analysis for the company > Market analysis of Finnish market > Mode of entry for Finnish market
16	Super-bottles: Internationalisation into BeNeLux	Bottles manufacturer	Market entry: market analysis and choice, market entry mode and marketing strategy	> Porter's five forces to analysis of competition in target market > external analysis (with a focus on environmental awareness, purchasing power, consumer preferences and tap water quality)	> market analysis of BeNeLux in order to identify the most suitable target market > choice of market entry mode for the BeNeLux market > developing a marketing strategy, including use of social media
17	Sweet Amsterdam Introduction to Finland	Strop-waffle company	Market entry: market analysis and choice of market entry mode	> SWOT	> SWOT analysis for Sweet Amsterdam and Finnish market. > Evaluate the various distribution options

#	Title of the case	Industry	Overall Topics	Theoretical Models	Tasks/Research Questions
18	Vande-Streek: Internationalisation into Croatia	Craft beer brewery	Decision whether to internationalise to Croatia or not Market entry : decision making structure	<ul style="list-style-type: none"> <li>&gt;PESTEL.</li> <li>&gt; SWOT</li> <li>&gt; BCG Matrix</li> <li>&gt; Marketing Targeting Strategy</li> <li>&gt; Perceptual Map</li> <li>&gt; Shaping Marketing Mix</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Export planning.</li> <li>&gt; Using PESTEL &amp; SWOT to identify important factors and trends in Croatia.</li> <li>&gt; Choosing type of partnership</li> </ul>

## BB GmbH Internationalisation into Brazil

Agustin Ecker, Katharina Grassi, Lana Efuja Missah and Martin Sloboda

### Introduction

NSA, WhatsApp, Facebook, Yahoo, Equifax. These are only a few of the corporate giants that have been in the news because of data security breaches, abuse, and selling of personal data. Losing your business data or personal information to hackers or malware can be devastating and have serious consequences. If hackers can get into the systems of some of the largest organisations, why make it easy for them to retrieve vital personal or business information by not securing data or your email trafficking? With the increasing public awareness of the importance of digital security and an increasing desire to hold these giants accountable, data security solutions and email encryption have been on the rise and have become a crucial element of not only every business, but also for private citizens.

The rise of the internet and reporting of increasing numbers of data security breaches and the fatal consequences faced not only by businesses, but also by private citizens when their data is not properly secured induced Mr. Müller to found the company BB GmbH. His vision for the company was to become a leading provider for data security solutions and email encryption. Mr. Müller not only had the right sense about the business idea, but also managed to successfully establish the company in Berlin and even succeeded in expanding the business operations to Austria and Switzerland through licensing partners. Eager for the company to grow and expand globally, Mr. Müller was wondering which market to enter next.

In the head office in Berlin, Mr. Müller is known to be a strenuous man of business with high expectations and waning patience. Mrs. Delgado, a new sales manager in the company for four months, therefore found it quite challenging to navigate and position herself in the male-dominated field of IT security. Every now and then she would find her ideas being overlooked and her opinion not being taken fully seriously, always being the second in line.

One day at a sales strategy meeting during a heated discussion about how to increase sales, Mrs. Delgado wanted to chime in on the conversation, but CEO Mr. Müller just talked right over her. Her colleagues were not listening to her either but instead vividly debated about strategies. As she sat there, watching her colleagues getting heated up in the conversations and the noise level increasing in the room, she got up from her chair walked over to the board and wrote in large letters one word: Brazil. Confused by

her action, her colleagues lowered their speaking level to a mumbling sound, Mr Müller leaned back in his seat and with one hand gesture gave her the signal to speak. Being Brazilian, Mrs. Delgado impulsively proposed an idea no one else could steal from her, the idea about the expansion to Brazil was born. She promptly delivered such a good pitch about the growth of the Brazilian economy and market that Mr Müller asked her to conduct research on the matter with three conditions. First, she mustn't neglect her other duties and projects, secondly, there will be little or no funds and finally, he wanted to see a first report in four weeks and a final report in eight. However, she is free to use the resources the company has to offer. In ten weeks, the board will make a final judgement regarding the next projects that BB GmbH will undergo for the next two years.

After leaving the meeting, Mrs. Delgado is energised, but panic struck her. She not only has to prove herself, but can she manage the extra workload and where to start? She may understand the language and Brazilian customs, but she has been living in Germany for 22 years and certainly has no business experience or contacts in Brazil. Of course, if she manages to pull this idea off, it will be a great step forward in the career ladder and a great point proven to her sceptical colleagues.

## Company Background and Products

Since its foundation in 2010, BB GmbH has transformed itself from a small IT service provider to a sophisticated leading manufacturer of IT security solutions in the German market. BB GmbH is based in Berlin, where the company with over 60 employees continues to grow and strive for excellence. BB GmbH's products and services not only meet the strict German data protection laws, but also meet the highest international security standards. Therefore, it is also renowned internationally and has been received awards in the past. The products range from automated email encryption and end-to-end encryption to securing large file transfers. The first product, SafeMail, offers automated server-based email encryption and signing which is supposed to be for everyday communications; it incorporates company compliance, and should be the foundation of business security. The end-to-end solution, SafeMail E2E, encrypts emails on servers and end devices, works with central anti-spam, anti-virus, and data loss prevention tools. The programme expands installed systems and ensures data sovereignty throughout the entire business. Last but not least, SecurePort makes it easy to exchange large files quickly and securely via the SecurePort web portal by storing the uploaded data securely within the own IT infrastructure, not in a cloud. Already existing and potential customers can obtain BB GmbH's products via its online website. The customer service provides advice to clients and, if necessary, a personal consultation meeting can be arranged as well as trainings to get familiar with the email encryption service.

## Business Environment

The German market of IT security has steadily grown over the last 10 years. The entire quantity of goods in Germany related to IT security in 2012 amounted to EUR 7,829 million employing approximately 63.000 people. However, email encryption still accounts for a small portion of the market. Given that BB products not only meet the strict German data protection laws but also the highest international security standards, BB was able to capture an important part of it, having few competitors in this small sector.

## Annual Revenues

The income statement of BB GmbH (Table 1) shows that it has a strong economic position due to the success of its products in Germany, Austria, and in Switzerland. However, it has a tight budget for an ambitious expansion to a country like Brazil, given the small size of the company.

Table 1. Income Statement of BB GmbH in 2016 and 2017

<b>Income statement BB (in Euros)</b>	<b>2016</b>	<b>2017</b>
Revenue	<u>5.808.653</u>	<u>6.863.545</u>
Cost of sales	(4.422.575)	(5.178.530)
Gross profit	<u>1.386.078</u>	<u>1.685.015</u>
Other income	25.000	88.850
Distribution costs	(156.800)	(175.550)
Administrative expenses	(660.389)	(810.230)
Other expenses	(100.030)	(106.763)
Finance costs	(36.712)	(26.366)
Profit before tax	457.147	654.956
Income tax expense	(189.559)	(270.250)
Profit for the year	<u>267.588</u>	<u>384.706</u>

## Company's Employee Base

The company's employees are distributed among different departments. They comprise the finance, marketing, software development, and customer service & sales departments. The two latter departments are the largest and most important ones for the company. Within these departments, the employees are grouped into teams. The software department needs them in order to focus on diverse platforms since it has its own structure and issues. Furthermore, the sales department needs a team that focuses particularly on customer service because the company is involved in software solutions and many sales are not carried out in person.

With more than 70 employees, BB GmbH is continuously looking for new people with expertise in IT development due to its constant growth and new customers. The majority of the employees belonging to the software development department are young and some of them come from different countries. However, there are only a few employees prepared to handle and assist with an internationalisation process, in particular outside of Europe.

## Previous Internationalisation Efforts

BB has provided email encryption solutions in other countries through licensing to partners and trusting them to reach the end-clients. Most of the countries were inside the European Union, in particular Austria and Switzerland proved to be a huge success. Due to the lack of language barriers and a similar culture, the market entry was fairly easy and so was finding suitable partners.



Considering the effective establishment and presence in the German market as well as the Swiss and Austrian market, expansion to other non-saturated markets is a prospective opportunity. Nevertheless, entering a foreign market with a different legal framework, culture, and security perception poses a new challenge that BB has not faced before. Considering the previous success of licensing as BB GmbH's market entry strategy, Mr. Müller insists to choose licensing as the entry mode to the Brazilian market as well. He values the low risks of the strategy, the relative low capital investment that the strategy requires in comparison to other market entry modes, and the flexibility that comes along with it.

## Start of the Brazil Project

### The Beginning

Due to the time pressure, Mrs. Delgado would not have been able to undertake the analysis of the expansion decision only by herself. This is the reason why she established a small business development team to help her with the research and the pitch in front of the management board. The latter includes Mr. Müller (CEO), Mr. Franke (CTO), and Mr. Duchene (CFO). As the founder of BB GmbH, Mr. Müller was eager to expand the business internationally in order to come one step closer to his vision of BB GmbH as a global renowned provider for email encryption. However, Mr. Franke and Mr. Duchene are more sceptical to invest the company's limited budget into a project that they consider very risky. They would rather invest BB GmbH's assets into the diversification and the update of BB GmbH's product line, while still staying on the regional market. A major concern of the CTO and CFO is the lack of theoretical and practical knowledge regarding the Latin American market. Is Brazil a suitable market in the first place? Would language be a problem? Or the culture? Is there a demand for BB GmbH's products?

The business development team was supposed to answer all of the questions. Besides Mrs. Delgado, the team consists of three more members. She was able to recruit two employees from the marketing department and another employee from finance. Since BB GmbH is a middle-sized company and has to run the daily business next to its ongoing projects, the company could not afford to spare its employees' time to the pure commitment of Mrs. Delgado's research regarding Brazil. Therefore, all of the four employees were only able to work on the internationalisation project for a maximum of 15 hours per week. Mrs. Delgado committed her time to the research on intercultural differences between conducting business in Brazil and Germany. She also dealt with potential partners in Brazil, while Ms. Adamski and Mr. Wagner from the marketing department focused on further market research topics. Since Ms. Adamski holds a junior position in content marketing, she lacked experience regarding the research and interpretation of economic factors; which is why she mainly focused on politics and upcoming new legal frameworks affecting BB GmbH's business. Mr. Wagner, who was a prospective Marketing Research Analyst, conducted the research regarding economic- and business-related factors, such as demand, competitors, and the Brazilian economic landscape. Furthermore, he considered to assess differences between the technological standards in Germany and Brazil related to IT security. Mr. Leroy, from the finance department, provided key financial data to Mrs. Delgado in order to clarify the budget constraints. The data stated in table 2 below reflects the budget without new, potential projects.

**Table 2. Income Statement (Forecast 2018 - 2020)**

<b>Income statement BB (in Euros)</b>	<b>Forecast 2020</b>	<b>Forecast 2019</b>	<b>Forecast 2018</b>
<b>Revenue</b>	<b>10.920.705</b>	<b>9.496.265</b>	<b>8.110.013</b>
Cost of sales	-7.944.383	(6.908.159)	(6.007.095)
<b>Gross profit</b>	<b>2.976.322</b>	<b>2.588.106</b>	<b>2.102.918</b>
Other income	138.319	123.546	110.350
Distribution costs	-246.357	(220.044)	(196.542)
Administrative expenses	-1.361.680	(1.219.622)	(994.070)
Other expenses	-129.805	(121.619)	(113.949)
Finance costs	-20.514	(21.227)	(21.965)
<b>Profit before tax</b>	<b>1.356.285</b>	<b>1.129.139</b>	<b>886.742</b>
Income tax expense	393.323	327.450	257.155
<b>Profit for the year</b>	<b>962.962</b>	<b>801.689</b>	<b>629.587</b>

## In the Middle of the Research

During the first 2 weeks, Mrs. Delgado was able to elaborate a list of potential partners in the target region that was approved by the management board. Most of the potential partners were located close to São Paulo. By the end of the third week, the business team had collected the following material:

### **Political and Economic Factors:**

The political environment in Brazil is flooded with news of political scandals. Furthermore, a recession since 2015 has reportedly been a major factor in the disrupted political environment. A former President (Lula da Silva) has been given a 12-year prison sentence for corruption. Current President Temer is thereof prioritising corrective macroeconomic policies to stabilise the economy. The Brazilian government has not only taken measures to improve infrastructure and education, but also added reforms to its agenda to increase labour market flexibility and the presence of multinational businesses for further foreign direct investment inflow. One of the aims is to promote the collaboration between the EU and Brazil with a focus on reducing tariffs and non-tariff barriers. The Brazilian government aims to create a more open business environment that fosters innovation, trade opportunities, and prosperity for European investors and traders. However, fundamental potential barriers persist, including high risk of corruption, uncertain customs system, high and unpredictable tax burdens, and an overburdened legal system, discriminatory support for the local economy in a wide range of sectors as well as discriminatory treatment of imports and increased market protection with customs duties averaging at about 13,5%.

Despite the economic challenges, the EU is by far the leading foreign investor in Brazil, which illustrates the strategic importance of the Brazilian-European business partnership. The investment flows between Brazil and the EU are highly profitable on both sides and will probably continue to strengthen. The Brazilian economy accounted for

48,5% of European FDI in total for Latin America and 81% for the South American Mercosur trade bloc. Recent negotiations between the EU and Mercosur may improve trade relations between Germany and Brazil. Since Germany is one of the most important investing countries in Brazil, a Mercosur-EU trade agreement would be in favour for both of the countries and their business landscape; especially, since the Mercosur-EU trade agreement would yield further opportunities for trade, integration and investment. These chances are also reflected by the fact that the agreement would create a market of over 750 million people.

While Brazil's export to Germany mainly consist of raw materials, German producers, with high expertise in knowledge-based and cutting-edge technological products, seek to export to Brazil which is facing deficits, especially in the infrastructure sector, in order to expand consumer base and further investments. Although Brazil's recession has been longer than many economists expected, Brazil is anticipated to become the fourth-largest economy in the world by 2050.

The World Bank ranks Brazil number 125 of 190 countries when analysing the ease of doing business. Brazil is currently ranked on place 96 of 180 listed countries on the World Corruption Perception Index provided by Transparency International.

### **Legal Framework:**

Companies in Brazil are obliged to comply with an existing data protection law but also with a new, uniform data protection law that was approved in 2018 and that shall be implemented before 2020. Demand could potentially be triggered by this new legal framework. Furthermore, intellectual property rights and copyrights are both defined in Brazil. A weakness and a strength at the same time is the agile and constantly changing legal landscape, since it represents on the one hand uncertainty but on the other hand further opportunities for BB. Another relevant law is the EU's General Data Protection Regulation (GDPR) in May 2018. A further important factor for BB GmbH is that no DTC exists between Germany and Brazil. Therefore, the operating profit of BB GmbH would be subject to double taxation. Hence, not only corruption but also complex labour and IT laws as well as tax codes need to be accounted for when taking the decision to internationalise.

### **Technological:**

From a technological point of view, Brazil's performance in cyber security is very poor compared to other large world economies, such as the US and China. An increase in cyberattacks in the sphere of online banking fraud and financial malware was identified, putting Brazil in the second rank worldwide in both of the categories. Furthermore, the research revealed that Brazil itself is the main source country for cybercrime in Brazil. Hence, IT-security in general and email encryption in particular have been neglected substantially in the past.

### **Facing the Limits**

In the 4<sup>th</sup> week, the business development team had to admit that it reached its research capacity since other deadlines are pressuring too much and they will not be able to deliver high-qualitative results in time. What is more, the research outcomes remain inconclusive. BB GmbH's business development team and Mr. Müller concluded that they are not able to take a solid decision themselves based on the research and

therefore seek support by external consultants. The consulting request was approved by the board members and the consulting start-up Trust Agents AG was chosen to provide consulting in the decision-making process.

## Summary

In order to decide whether to internationalise to Brazil, Mrs. Delgado and her team conducted research on political, economic, legal, and technological factors. Due to experience, knowledge, and time constraints BB GmbH decided to hire a consulting firm to support the company in the decision-making process. While Mrs. Delgado and the CEO feel very enthusiastic about the internationalisation into Brazil, other employees are reluctant.

## Case Questions

1. To develop a proper market analysis, the “Social” aspect is missing. As members of the Trust Agents AG Team, please support Mrs. Delgado and research the social and cultural aspects that might affect the internationalisation of BB GmbH to Brazil. Do you think that the German and Brazilian culture are compatible? Explain your answer. You may use models for the analysis.
2. Does BB GmbH have the potential to internationalise in the first place? Would you recommend internationalising at all? Explain your answer in detail.

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## For the Love of Bread

Tine Lehmann

### Case Study

The average German eats 56 kg of bread per year (Statista 2013). And even though that means the German consumer is just about average in the EU, German bread has always had a specific reputation. Since 2014, German bread baking culture is even considered to be UNESCO world heritage. Nevertheless, traditional bakeries are struggling with the extremely low-price competition in the supermarkets. More and more traditional bakeries are closing; and more bread is sold in the supermarkets, containing long lists of additives.

The brothers Mathias and Peter Altus wanted to change that trend. They were frustrated with the low quality of bread in supermarkets and missed good traditional and additive-free bread. In 2012, they started their own business “bread fans” with two friends who were trained bakers, and started to produce self-baking bread sets that follow traditional bread baking culture and ingredients. They aimed at creating a social enterprise, producing organic products, using emission-free transport systems, and donating part of their income to welfare institutions.

They created an online shop where customers can order baking mixes for bread, from typical bread (that can be found in a bakery) to more unusual bread with fruits and herbs (all organic), vegan, and even get gluten-free bread mixes. The instructions for the bread were designed to be easily understood. The package includes flour, a rising agent, herbs, fruits or nuts, and even the baking parchment.

“Bread fans” took off quite well in the beginning. In 2015, a good childhood friend of the Altus brothers, Marc, emigrated to the United States, and proposed the idea of going international. Marc had already spent some years in the US at high school and college and was convinced that the self-baking bread sets would be a success in the US market. The Altus brothers liked the idea, especially as Marc would work free of charge in the beginning. They trusted his market experience and knowledge.

At first, Marc promoted the bread baking sets in German Expat communities in the United States. “Bread fans” realised soon that it had to invest quite some money and time to adapt to the US market. Not just the instructions had to be translated as it first thought, but also the list of ingredients had to be adapted, as not all ingredients were available in the USA. Furthermore, it realised that the stoves in the USA seemed to work

a bit differently and most bread baking sets just did not come out right. Hence, Marc tried to experiment with different stoves and baking times and temperatures, but it did take quite a while till it had adapted its product to be functioning in the US market. By that time, it had already lost some trust within the German Expat community. Hence, Marc tried to target another customer group: young Americans, eco-friendly, big-city dwellers. However, that was not very fruitful either, as most of them simply did not like the hard, unsweetened German bread. Additionally, customs and shipping made the baking sets quite expensive and the “bread fans” had to abandon its idea of emission-free transport systems in favour of price.

Hence, instead of engaging in the next step and adapting the product range, the “bread fans” decided to stop its internationalisation process.

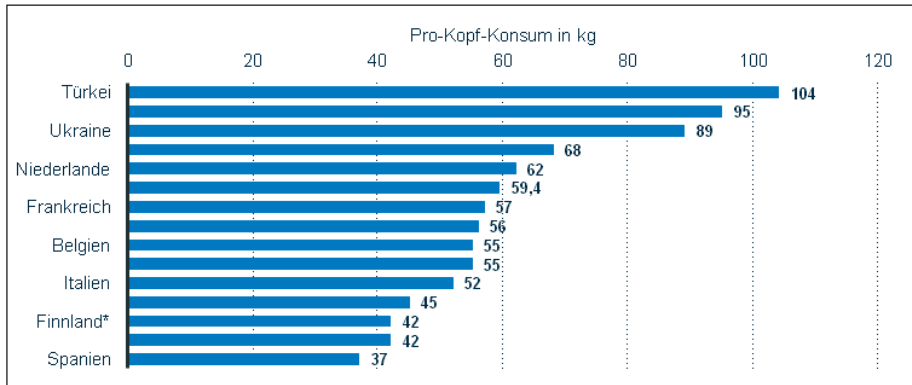
Can you help the “bread fans” and try to find out what went wrong?

### Case Questions

1. What kind of business do the Altus brothers have? In what stage of business development are they and what does it mean for the different issues in their company?
2. What were their motives for internationalisation and what are the core problems in their internationalisation to the US market?

### Annex:

Figure 1: Bread consumption in kg in the EU per capita (source: www.statista.de)



## Carta's plan for export

Đurđica Ervačić, Sara Kuček and Tihana Koprivnjak

### Introduction

From big corporate career to small business ownership – this is how the story of Branka can be described. Branka had an outstanding career in the packaging industry in Croatia, but something just did not feel completely right. Branka, graduated from the Faculty of Economics and Business at the University of Osijek, and soon after was employed in the packaging industry. As a trainee, she gained her first work experience at Litokarton d.d., but Branka progressed remarkably fast and showed excellent results, getting promoted to finance director when she was only 27 years old. After Litokarton d.d., she continued her career in a private company, Ekovreća d.o.o., where she also showed her talent. In 2012, she found a job in the Žito Group and became the director of one company within the group. However, idea about her own business was growing stronger and stronger. After a year, she decided that it was time for new business ventures.

Branka decided to do what she knows – and she knows a lot about packaging industry. She founded a small company called Carta. Carta is a private limited company, founded and incorporated in 2009. At that time its core activity was exclusively selling industrial bags, but as the volume of sales doubled and even tripled every year, in 2012 it decided to move forth with its own manufacturing. In March 2013, it opened a factory in Osijek. Today, Carta employs 20-25 people, depending on the season. Carta is a local business and it is successfully trying to expand its production and generate new jobs. Its yearly production capacity is 30 million bags.

Carta first imported paper bags and sold them to existing customers that Branka had known through long-term contacts. When she decided to dedicate herself entirely to her own company and when the company reached the level of import for one production shift, she decided to begin producing her own products. Thanks to her rich experience and contacts, she knew where to look in order to find the best equipment to produce paper bags, and she decided to buy used equipment to ensure significant savings.



The value and quality of Carta's products have been recognised in the domestic market, which was confirmed by customer loyalty. To achieve this, a lot of effort has to be invested and, for certain clients, the company needs a few years to gain confidence and ensure cooperation with them. Now Carta has gone through the expansion of production capacities that will take place this year by launching new machines and producing new 1-kilogram bags.

Despite all the success that she had till now, Branka is aware that Croatia is quite small country and therefore quite small market. After developing cooperation with major companies Carta's long-term goal is to increase exports. It is working on expanding as much as it can, and less on domestic sales. Today, Carta exports to the Slovenian, Austrian, and Bosnian-Herzegovinian markets, and is negotiating with the largest Hungarian sugar refinery. Although Branka managed to conquer these markets, she is now considering entering the Belgian market. This market would be the farthest from Croatia and it is the market that Branka does not have experience with. Can Branka's previous experience with internationalization help her to overcome this challenges and seize this new opportunity?

## Business & Market Environment

Approximately 70 million pieces of paper industrial bags are needed annually in Croatia. Production of this type of bags is partially a seasonal business. The largest number of orders arrive in the period from May to September when, for example, sugar refineries start their sugar beet production campaigns. The production quantity of paper industrial bags per year cannot be planned without an estimate on the production plan of its buyers, as it largely depends on the buyers of these sacks and their production capacities per individual year. The industries that are target buyers for Carta are specific in terms of capacity and their production can be affected by external conditions. Carta's production is tightly correlated with its buyer's production, consequently it means that Carta can have significant changes in demand for its bags. As previously mentioned, the company Carta serves and depends on a wide range of industries. The main industries Carta serves are:

- 1) Sugar production industry
- 2) Flour industry
- 3) Cement industry

The biggest customers of Carta products are: Žito d.o.o., Sugar Factory Osijek d.o.o., Viro Sugar Factory d.d., Velički Kamen, RWA Croatia, Baumit d.o.o, Samoborka d.d., Poljo-privredni Institut Osijek, Assmannmühlen GmbH, Pioneer, Skupina Panvita, Szatmari Mill Kft. Etc. Croatia is in an excellent geographic position and has excellent road connections, sound ICT (information and communications technology) infrastructure, and a competitive white-collar workforce. Work and travel are unrestricted for citizens since Croatia became a full EU member in 2013.

## Belgian Values, Market Needs and Potential Buyers

The Belgian way of life is predominantly suburban, and consumers appreciate practical products offering good value for money while being sensitive to their impact on the environment. The ageing population, as well as the rate of obesity on the rise is worrying.

When trying to get into international trading, finding customers can be one of the first obstacles every company has to overcome. If the company is not able to identify customers, all efforts will be in vain. In this type of business, it is difficult to reach targeted customers because our target group is not comprised of retail sale buyers but big companies engaged in manufacturing and wholesale. The final product, paper bags, is just the beginning of the production of companies that are customers for Carta. It is about selling large quantities of bags, not a piece sale, meaning its potential buyers are companies; for example, enterprises selling construction, farmers, animal feed producers, etc. Their wish is to focus on the cement industry in Belgium, but other industries are also desirable such as animal feed, sugar, and flour.

When selling this kind of a product, it is necessary to look at the condition in the agricultural sector in the country and see how many people are engaged in farming and growing cereals and other products that could use Carta's bags. In order to get a clearer picture,<sup>1</sup> each industry needs to be specifically elaborated, e.g. define the condition of the industry and find the greatest player in it.

### Cement Industry

Belgium has five integrated cement plants. All but one of these plants are located within a short distance of the French border to the southwest. The other plant is located at Lixhe in the east, close to the borders with Germany and the Netherlands. Belgium consumed 4,2Mt of cement in 2010, although it also exported 1,7Mt. Over 95% of the exports were destined for the EU, mainly to France and the Netherlands. Of the cement produced in Belgium, nearly 20% was used in civil projects, 36% was used in residential construction and 44% was used in non-residential construction. Over half, 54%, of the cement produced was some form of blended cement, with OPC taking 46% of the total production. The clinker substitution rate was 47,3%. Some of the most known cement manufacturers in Belgium are CBR, Holcim and CCB.<sup>1</sup>

### Sugar Industry

Belgium has four sugar producers with eight sugar factories, Raffinerie Tirlemontoise (four factories), Groupe Sucrier (two factories), Sucrierie de Fontenoy (one factory) and Suikerfabriek van Veurne (one factory). In Wallonia sugar is produced in Brugelette, Frasnes-Les-Buissonal, Fontenoy, Genappe, and Wanze. The production sites in Flanders are Moerbeke, Tienen, and Veurne. The Belgian quota is 826,000 tonnes. Annually, the Belgian sugar manufacturers produce on average 1 million tonnes of sugar. More than half of this production is delivered to the Belgian market and 40% is exported, the rest is stored. In the Belgian market, more than 85% is delivered to the industry, 14% to the households and 1% to the chemical industry. The Belgian sugar producers are associated in the "Societe Generale des Fabricants de Sucre de Belgique asbl", abbreviated SUBEL. SUBEL's mission revolves around studies and policy preparation, information

<sup>1</sup> (<http://www.globalcement.com/magazine/articles/663-cement-in-belgium-and-the-netherlands>)

and services to the members, representation on all political levels. The association has five activity domains: the common market organisation for sugar, the interprofessional relations with the beet growers, the promotion of the sugar image, environmental policy, and nutrition policy. In 2017, sugar beet production for Belgium was 5,94 million tonnes. Though Belgian sugar beet production fluctuated substantially in recent years, it tended to decrease through the 2003-2017 period ending at 5,94 million tonnes in 2017. Some of the sugar factories are Comptoir Sucrier, Finasucre Group, and Group Südzucker.<sup>2</sup>

### Flour Milling industry

According to the 2015 UK Flour Milling Industry report of NABIM, the industry has been growing in recent years. It is estimated that there are 100-150 mills in Belgium where milling is a developed industry. The most produced grain product is wheat in Belgium as in many countries. Wheat production amount of Belgium in 2005/06 and 2014/15 seasons is between 1,5 and 1,9 million tonnes. While a recorded 1,8 million tonnes in 2010/11 season, wheat production reduced to 1,6 million tonnes in 2011/12 season; however, it reached 1,8 million tonnes in 2012/13 and 2013/14 seasons. 1,994 million tonnes production which was realised in 2014/15 season was also the highest production amount of the last 10 seasons.

In 2017, wheat production for Belgium was 1,7 million tonnes. Though Belgium wheat production fluctuated substantially in recent years, it tended to increase through 2003-2017 period ending at 1,7 million tonnes in 2017. Some of the flour factories are La Lorraine Bakery Group, Mills from Oudenaarde, and Hollange Mill Flours.<sup>3</sup>

### Livestock Feed industry

In 2016, livestock production index for Belgium was 81,3. Though Belgian livestock production index fluctuated substantially in recent years, it tended to decrease through 2002-2016 period ending at 81,3 in 2016. Stock farming or livestock production dominates Belgian agriculture. It accounts for 65 per cent of the nation's farms. A variety of livestock is raised, including beef, veal, poultry, lamb, pork, and turkey. In 1997, there was 3,1 million head of cattle and 7,3 million pigs on Belgian farms. The beef industry is still recovering from a dioxin scare in 1999. Cattle was accidentally given feed that was contaminated with the cancer-causing chemical dioxin. This led to numerous recalls and various countries around the world banned the import of Belgian beef. Some of the companies that produce livestock feeds are Nutriprof, Ets Derasse, NV Voeders Huys, and AVEVE.

### Distribution Channel

As for B2B (business to business) sales, the best distribution mode are direct distribution channels. These are the channels through which producers themselves sell their products to end users. The advantages of such distribution channels are the direct contacts with customers, product control, and higher sales prices. On the other hand, direct sales require greater investment of money and labour, less spare time and knowledge of legal regulations. Carta d.o.o. has a website through which potential customers

<sup>2</sup> (<http://agris.fao.org/agris-search/search.do?recordID=BE20020005449>)

<sup>3</sup> (<https://en.portal.santandertrade.com/analyse-markets/belgium/reaching-the-consumers>)

can get the information they want. The first contact is usually done via a mail, followed by a telephone conversation, and then face-to-face meetings.

It can find potential buyers at various fairs across the European Union. On TradeFair-Dates you can find the locations as well as the time of various fairs. The preferred industries to which Carta d.o.o. should focus on are agricultural, food, building materials, bakery, and similar types of fairs.

Fair trades are a very good place to start in this kind of business.

As Carta enters the market of big players, access to customers is a big challenge. Buyers are other companies that produce various raw materials such as flour, sugar, cement, and similar types of products. Here are some ways to find potential buyers:

1. Visiting agricultural production fairs and construction trade fairs
2. Agricultural magazines are one way to communicate with customers and to spread the word about Carta production
3. Internet forums

## Belgium market – potentials and challenges

In Belgium, there are many potential customers whom Carta can sell its products. In the Belgian market, Carta could be oriented towards other industries except for cement, animal feed, flour, and sugar. Cement production has been declining steadily in recent years, the focus could be on the sugar industry because it was growing at the rate of 47,76% in 2017 and it's growing further. As Carta is in the process of installing new machines and recently a 1 kg bag making machine; these bags can be offered to the market of chocolate and cereals production. Large competitors for Carta are:

1. BagInCo International - specialises in producing and printing small bags for coffee, tea, chocolate truffles, self-rising flour, pet food, sugar, etc. BagInCo International operates in most EU and non-EU countries.
2. Mondi - a global integrated packaging and paper Group. It offers a broad range of industrial bags optimised for high-speed filling lines and suitable for food contact. Its bags provide easy handling and ensure the protection of the goods inside. Mondi produces open mouth bags and pasted valve bags. They also have pinch bottom bags that are best suitable for medium and large volumes, available with/without a gusset and a variety of barrier and closing options.
3. LC Packing – company produces paper bags that are typically used to package fruit and vegetables, feed, maize, flour, and all kinds of other loose and dry bulk goods. They are multi-walled, made of recycled or virgin paper, printed and in different constructions paper. Key industries that it is working with are agriculture, animal feed, construction, fruit cultivation, mining and minerals, wheat, grain, and food. It has a few different types of bags and specification for each of them.

## Potential Partners

Mondi and LC Packaging have the advantage on the Belgian market over Carta but having such players as a partner and changing the role of Carta as a subcontractor, Carta could have a chance of gaining one part of the entire market of the paper industrial bag.

A big challenge for exporting these products is the distance between these two countries. Industrial bags are products that lose value on a larger number of kilometres, 1500 km is the limit of miles of pay-per-sale and the distance between Croatia and Belgium is 1400 km on average. Considering the sensitivity of Belgian customers to the impact of products and packaging on the environment, Carta with its biodegradable bags, has the opportunity to enter the Belgian market, which is increasingly aware of BIO production and exploitation of energy.

Due to the existence of large competitors in a foreign market, Carta might not have a big impact on the big players in the industries in which it operates in Croatia. European competitors such as Mondi and LC Packaging have the advantage over Carta in the function of market competitiveness.

## Case questions

- 1) What are the biggest obstacles for Carta's entrance into Belgium? Explore all aspects of the Belgium market and create a SWOT analysis of Carta's market entry to Belgium.
- 2) What changes need to be made in the production process in order to adapt its offer to the Belgian market?
- 3) How should Carta approach customers in the Belgian market?
- 4) Is it profitable for Carta to go to the Belgian market? Explain your answer.

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## Europlast goes to Holland

Dora Barbarić, Luka Kolak and Petra Mezulić Juric

### Introduction

One would say that Europlast is typical family business. Company was established in 1998 In small town of Donji Miholjac (Croatia) by Predrag who showed remarkable sense for running a company. He was also very successful in involving his son Bojan into the business from young age. Bojan always wanted to join the company. He always had new ideas how to improve the business, but Predrag had Bojan's best interest in mind and wanted him to get university education before joining the business. Gradually company grew and had overcome all of typical family business problems. Finally, Bojan decided to join the family business in 2017 right after graduating from the Faculty of Economics and Business at the University of Osijek. Bojan firmly believed that he could bring new ideas to the business and help further develop it. He had very good skills in communicating with foreign business partners, and good market research skills, so Predrag thought Bojan could do a valuable work in helping company further internationalise.

Europlast has developed few different production programmes. In the beginning the Company produced various products made of reinforced polyester. As the business grew Predrag decided to start producing more complex product such as horse trailers. Also, company has specialised in production of *special purpose trailers* and in expansion and finishing of special purpose trucks. Since company has been doing business for long time it has extensive experience in producing products for the demanding European market. The company produces its products according to European standards. The high quality and good prices of its products led to acquiring of new costumers, some of which are well-known companies such as Volvo, Neoplan, Liebherr, and Steinsberger.

The company is continuously developing and employing new workers. It also has developed its own trailer models (three in total) that are being sold on European market. Today, the company mostly produces car trailers for horse transport, dog transport, mobile shop trailers, small refrigerated trailers, truck and van racks, bakery racks, portable cold storage and mini cold storage, and racks for horse transport.

In past years' company was able to exports its products to Denmark and Germany. Predrag would like for company to expand to some of the other EU markets. Croatian

market is rather small and Predrag sees it as important part of developing the company further. He is considering expanding further by exporting specialised trailers for caterers and souvenir sellers to the Dutch market. Predrag believes that the company's competitive advantage lies in producing trailers to order, which means that it can satisfy costumers' needs in full and also its trailer prices are lower than those of their competitors in EU.

Predrag has asked Bojan to further develop the strategy of entering Dutch market. This market is certainly lot different from ones they entered in the past and neither Predrag nor Bojan have experience in Dutch market. Can Bojan anticipate challenges and opportunities of this foreign market and can his knowledge and hard work in the end help the company to enter Dutch market?

## Business and Market Environment

Company is focused of production of trailers and reinforced polyester. This industry has been growing steadily in Croatia in recent years at enviable rates. Except for the growth of production, export growth was also recorded for as much as 17%. The reason for this is, above all, good investment conditions, infrastructure, knowledge, and energy prices that are among the most competitive in the region.

A special trend of growth of the metal processing industry is recorded by the counties of north-western Croatia. The reason for this lies in the fact that this part of Croatia is paying particular attention to the education of experts from the field of mechanical engineering and general industry. Europlast is situated in eastern part of Croatia that is not as developed and has the lowest economic strength.

One of the most successful products of the company is a trailer for horse transport. In the "two horse" segment, there is a wide range of prices and quality, so the cheapest trailers are intended for horse transport in the segment is priced between 2.800 euros and 20.000 euros, according to information obtained from the company owner. Also, according to the company owner, horse trailers were already exported by the company to Germany couple of years ago, which brought great revenue for company. Within years, the situation changed and no orders for horse trailers were received from 2013.

To deliver the most quality product to its end customers and because of higher profitability, Europlast produces certain parts of the trailer itself, while purchasing other parts from suppliers with whom it has developed a trust-based relationship.

Europlast produces chassis and trailer frames while shafts, lamps, axle, windows, brake system, ventilation equipment, and attach equipment is bought from Hungarian companies Autoflex or Eurowind, it all depends on the conditions, prices, and the proposed offers. Europlast buys wheels from the pioneering force in the wheel and tyre industry, STARCO, a company from Denmark. Another partner of Europlast is a local company from Osijek, Strojo promet, from whom Europlast buys chassis material like tubes and sheet metal.

## Dutch Food Trailers Products Market Needs and Characteristics

In order to determine if there is a need for catering trailers on a particular market, first it is crucial to explore information about the needs and characteristics of the Dutch market. In addition, the potential customers, trends, and the current situation of the fast food market in that country are important to ascertain.

The Dutch food service industry is expected to grow annually by over two percent due to a recovering economy and changing consumer eating culture. The growing segments within the food service industry are the specialist coffee shops, juice/smoothie bars, and food trucks. Young consumers are increasingly looking for new and convenient food solutions. The future for the Dutch food service industry looks bright. Annual growth rates are expected to increase from 2% in 2016 to almost 3% in 2020. The traditional 3 meals-a-day (breakfast, lunch, and dinner) is slowly being replaced by five snacking moments. At the same time, eating at home is slowly transitioning to eating while traveling, working, or meeting friends. Food choices and eating moments are becoming more tailor-made. These developments will all have a positive effect on consumer spending in food service outlets. Surprisingly, answers about preferences differ from the current trends in the Netherlands; eating and drinking in cafes and restaurants is more represented rather than take coffee and food to go.

The Dutch are saying that the biggest problem for starting a food truck or a food trailer business is a permit for the location and also licences that allows you to prepare and sell food; this is because towns, cities, and counties have zoning restrictions, designating commercial and non-commercial zones. Offering affordable food trucks and trailers in the market could allow them to enter the business easier. Prices of specialised food trailers as mentioned vary depending on the model and equipment installed in it. Europlast could offer competitive prices of the products varying from 5.000 euros to 7.000 euros, according to information given by the company owner. The price of Europlast trailers could attract Dutch customers since the prices in other EU countries are way higher in comparison to other manufacturers. For Europlast, there is room to raise price and still remain more competitive than others.

For the Dutch food trailer/truck market there are all kinds of different companies that sell food from most basic truck and trailer to the most advanced and customised trailers.

Identified potential competitors of Europlast in the Dutch market are:

- **Food Truck Company** – a Netherlands-based company dealing in renting and selling of food trucks and trailers. Since 2012 the company has grown into a leading producer of custom-made total concepts and serves A-brands and food professionals throughout Europe and the Middle East. Its mission is to translate brands and formulas into profitable mobile foods concepts.
- **Streamline** - A food truck company that builds food trucks on a regular basis for a wide variety of clients, locally and internationally;
- **EBO van Weel** - A Dutch family company with more than 50 years' experience in trailer production, bodywork, and traffic systems. Its products are distinguished by a fast delivery time and customisation and innovation which accounts to the firm success.
- **FunTear** – A company started in the year 1999 with a passion for aluminium trailers of American origin. FunTear focuses mainly on aluminium trailers with the aluminium being imported from the USA and the full manufacturing processes is being done in its Dutch factory.
- **Boxtel NL** – It has its sales concepts entirely based on customer requirements, e.g. no mass production but custom-built all of which are extremely lightweight.



- **Sallas** - A Dutch company that produces and delivers all types of trailers in various sizes with various loading capacities. The firm owns its business success to the quality and tailor-made products offered to their private and business customers.
- **Airstream** – A professional producer of food trailers with its own factory in the Netherlands and many years of manufacturing experiences. Company also exports to other countries in America, Europe and Australia. The custom-made high-quality trailers are being sold or they can also be rented.
- **Sirius trailers** – This company has experience in the development and production of horse trailers and trailers in the broadest sense. Company has been in the business for more than 25 years and has come up with a brand-new trailer concept, the Kargo Trailers, revolutionary in space, design, user comfort, and safety: The perfect transport solution for all your goods. Therefore, all our trailers carry the slogan “the next generation”. The result is an aligned closed trailer that cannot be compared with any other closed trailer that is currently available in the market.

## Logistics and Distribution

Entering a new market can pose a big headache, especially for leading people in the company and it requires exploring different possibilities of using distribution channels. Ultimately, the company should decide whether to use its own sales channels or to use distributors. Considering that during the previous three to four months Europlast did not have any earnings from selling its trailers, the company needs to think about advertising its product if the plan is to sell products by own its sales channel. For the Croatian market there isn't a lot of competition, so if a customer needs a customised trailer for serving food, they could find Europlast as a potential manufacturer through internet search. Following today's trends, the design of the website can play a key role in the first impression by potential customer. Europlast hasn't invested in its internet pages, which could turn away some of the potential customers who will visit the site. If the company upgrades its internet pages with important information about products, the chances of selling the product are become bigger as well as getting in touch with foreign distributor. Besides selling, one of the options that can be considered is to rent trailers, as some Dutch competitors are doing. Renting trailers during certain parts of the year or whilst some festivals are held is a good idea to earn a steady income throughout the year both in the Netherlands, as well as in Croatia. In the Europlast case, renting out trailers represents a very different business model that wouldn't be attractive to the company since they don't want to own the trailers.

The primary purpose of any channel of distribution is to bridge the gap between the producer of a product and the user of it, whether the parties are located in the same community or in different countries thousands of miles apart. As previously stated, the competition in the Netherlands is very high. Firstly, the company needs to promote its products over the most visited sites on the internet and afterwards contact potential distributors in the Netherlands such as Kowa Holland, Bevako Food Trailer, Sallas, Ter Haar. Carr. Valkenaers P., Food Truck Company, and Foodtrailer.nl.

## Market Entry

There are plenty of potential opportunities in market that can help Europlast to expand its business in the Netherlands. But the main question is: should Europlast enter the Dutch market directly or via a distributor? If the decision falls to enter the market

directly, the question is, which marketing canals can be used to reach customers? On the other side, if the decision is to enter the market via distributors, how should the company choose distributors in Dutch market?

The owner of the company is considering both options. One option how Europlast can find potential buyers whom it can sell its products directly is to open a subsidiary in the Netherlands. That is the way how potential buyer can hear about the company and maybe take into consideration when they decide to a buy trailer from the business. Opening a subsidiary carries many other problems and it requires a high amount of capital for opening a facility, you have to enter the Chamber of Commerce (KvK - Kamer van Koophandel) and tax office. For example, a person is free to live and work on a self-employed basis in the Netherlands and does not need an entry visa or a residence permit (Document Duurzaam Verblijf) even if he/she does not have the Dutch nationality. The only condition is that the person has citizenship from one of the EU Member States, the EEA (European Economic Area), or a Swiss citizenship. After establishing the Dutch subsidiary, the company would need to acquire new costumers. There are many ways to reach potential customers such as:

- Fairs of hospitality equipment (that is the only way to meet caterers who may be seeking for the trailers or offer them a trailer while they are looking for some other hospitality equipment);
- Food trade shows (a great place to found out how many caterers using food trailer and how many of them have food truck, also you can ask them do they know somebody who seeking for the trailer or maybe if they want to replace their current trailer or truck.)
- Visit to cafes and restaurants (you can ask waiters or owner of a café/restaurant what they think about expanding their business with mobile trailer.)
- Social media (internet, forums, social networks).

Another option for Europlast is to distribute its products through distributors, this can be less time and resource consuming at the moment. Having a good distributor that knows the market and that could offer Europlast trailers to costumers without Europlast having additional cost could be appealing to the owner. There is room for price increase of Europlast trailers and the price span could be used to pay the distributor and still make additional profit from export.

## Challenges

If the company would want to enter the market by itself, one of the challenges would be to find individuals who want to start their own business in the field of serving food and beverages that need to buy the trailer. The company has never operated in the Dutch market and it hasn't developed social capital and networks through which it can get information about the demand in Dutch market, product preferences, potential buyers or trailer users who maybe want to replace their current trailer with new ones. Also, the design and dimensions of food trailers are different in the Netherlands. In the Dutch market, food trailers are smaller and differently designed. Europlast trailers are bigger which can pose a challenge in distributing them since the number of trailers which can be transported per one truck depends on size of the trailer. In addition to that, all vehicles who travelling through the Netherlands are restricted to a maximum height of four meters and width of 2,55 meters (2,6 meters if it is a refrigerated unit). In

terms of length, restrictions are rigid; lorries are to be a maximum of 12 meters long, articulated vehicles 16,5 meters and road trains 18,75 meters. The Netherlands is the only EU state where, under condition, the 50-tonne limit is permissible.

Entering a foreign market poses many different challenges for the company owner of Europlast. To cope better with them, the owner needs to answer some important questions before deciding to take the next step.

## Case Questions

1. What are the biggest obstacles Europlast is facing when considering entering the Dutch market? Create a SWOT analysis for Europlast.
2. What would be the best way for Europlast to enter the Dutch, market directly or via a distributor?
3. What are the changes that Europlast needs to adopt regarding its products to the Dutch market requirements?

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# INTERNATIONAL ENTREPRENEURSHIP SKILLS EUROPE

## Euro-trans GbmH to internationalise to Croatia

Lina Lefstadt, Till Steinmann, Paul Crowley, Thomas van den Berg and  
Menno de Lind van Wijngaarden



## Introduction

Logistics and transport connect our increasingly globalised world. In The Netherlands, it is common to make purchases online, where an “order before” 12.00/15.00/19.00/even as late as 23.00 for next-day-delivery service is soon becoming the norm. Our clothes, our food, our technology, our furniture, our building materials, yes, basically everything that you can think of, travelled hundreds, if not thousands of kilometres at different stages of completion before reaching us as a finished good, to be consumed. Some travel by sea, some by air, and some by land, divided between the railways and roads.

Road transport, a market growing for the fifth consecutive year in the EU, is up almost 35% in tonnes of goods per kilometre between 2013 and 2017 (Eurostat, 2018). Not only did the number of goods transported go up during these years, but also the number of kilometres driven has increased. Truck drivers are therefore in increasingly high demand, and need to cope with the ever-growing demand from consumers and businesses to transport goods across the continent, as well as across countries, as fast as possible and as cheaply as possible. Because not only do we, the consumers, want things delivered to our doorsteps at the speed of light, but we are not really willing to pay extra for it (McKinsey, 2016). This is driving prices across the sector down as part of the competition for clients; whilst expenses are increasing with the rising fuel prices and growing environmental concern (Rapier, 2018).

The truck drivers commonly feel the heaviest burden of the price race, as their salaries and working conditions get hit. To be a truck driver can be an unforgiving and solitary job. First of all, most do not work the normal 9 a.m. to 5 a.m. shifts, but rather drive long hours on the road and have to sleep in the cabin of their truck many days in a row. This means spending a lot of time away from home, missing out on important family time, and potentially even birthdays of loved ones. Not all employers care enough or have the means to offer the flexibility to allow the drivers to go home for important events either, such as weddings and funerals, and this uncertainty can take its toll on even the most dedicated driver.

The transport sector is, in general, an undervalued industry by society, where the norm is to deliver as fast as possible for as low cost as possible. As a result, a recent study found that truck drivers are overtired, overworked, and underpaid (Belzer, 2018). Over the last 15 years, the problem of sourcing truck drivers has worsened, with 150.000 unfilled jobs in Europe alone (Marle, 2018). The UK has it the worst, missing 52.000 drivers, but Germany is following closely behind with 45.000 open jobs. These numbers are expected to increase fast, as over two-thirds of the total truck driver force are over 45 years old. This explicitly means that within the next 10-15 years, two-thirds of the current workforce will retire (Poplawski, 2018).

The director of Euro-Trans GmbH, Mr. S, explained this well:

*“The romantic, “King-of-the-Road” generation is retiring, and social life is more important for the younger generation, so the combination of long hours on the road away from friends and family with mostly poor working conditions does not inspire and motivate enough new drivers to fill the gaps of the workforce.”*

Mr. S is looking for solutions to the shortage issue so that his business does not suffer. With driver-less trucks still in the distant future, more truck drivers are needed to keep the flow of our society running smoothly and for Mr. S' business to continue to grow. The question is: how?

## Euro-Trans GmbH

Mr. S. is the director of a family-owned transport company, Euro-Trans GmbH, which is a German medium-sized logistics provider with about 50–60 employees. Mr. S is the third generation in the family company, which has been operating since 1962.



The company's headquarters are located in the German city of Harsewinkel-Marienfild, and it operates in the Benelux, Germany, France, and Austria. The transport mostly consists of plywood and other products of a similar nature, such as kitchen cabinets and wardrobes. This kind of transport does not require any special qualifications of the drivers beyond the standard CE driving certificate and EU95 license, which prove that the driver knows the rules of his/her trade.

Euro-Trans prides itself on stellar quality and logistical standards, professionalism, and the ability to provide round-the-clock care for its clients. The company has invested heavily in digitalisation in recent years, enabling clients to receive the delivery documents digitally within minutes of the load being dropped off, as well as the possibility to follow the goods with a "Track and Trace" system.

The company is structured with three main groups, these being the dispatching department, the administrative department, and the accounting department. The CEO of the company spends most of his time in the dispatching department, which is the biggest and runs operations himself. The drivers work as an expansion to the dispatch, and the fact that the CEO works on the floor with them builds trust as they can see him being an active part in the whole organisation.

The administrative department generates outgoing bills, all the proof of delivery and general paperwork, insurance cases, as well as all the documentation from sub-contractors and its fleets. The company is experiencing low employee turnover.

Euro-Trans GmbH has good terms of employment, especially when you compare it to other logistic companies. Euro-Trans has a certain structure where the truck drivers work in teams of two. One of the truck drivers will be driving the truck for 14 days straight, and after the 14 days, the driver will return to the same location as he/she picked up the truck, where the other team will take over the truck and the team going off duty can travel home. This way of working in teams creates synergy, trust, and stability within the company and also in the teams.

The 14 days off they get after 14 days of driving creates increasing intrinsic working motivation and will also make sure that the drivers are not tired. Euro-Trans also offers the truck driver good living conditions when they are in the 14 days of working. The trucks have XL cabins, equipped with additional devices, such as microwaves, TVs and coffee-machines, which make living on the road more comfortable. Not only do Euro-Trans employees have the advantage of well-arranged working conditions, but Euro-Trans is also an above-average player in this not-so-admired industry. Furthermore, Euro-Trans have been known to, on certain occasions, give loans to its employees to help them through difficult parts of their personal life. These factors create a stable and trustworthy working environment where the drivers can concentrate on their jobs, and in return delivering goods with a very low accident rate.

The company has already successfully internationalised on a small scale, which has happened in Hungary and in Romania. In Hungary, Euro-Trans GmbH currently runs three trucks and have been in operation since October, with the prospects of doubling the activity there at the beginning of the new year. Within Euro-Trans there already was a Hungarian employee, and Mr. S went to together with the Hungarian employee to set up an office in Hungary. Because he had a man “on the ground” in Hungary who could speak the language and knew the rules, the risks for Mr. S were minimised. On the other hand, a challenge the company faced with internationalisation was made apparent during a boom in the industry, when the Romanian sub-contractor suddenly increased his prices. This goes to show that conducting business far away from your headquarters can be risky, as you do not have full control of what is going on “on the ground” and have to rely on others for decision-making and feedback.

## The Problem It's Facing

The main problem Mr. S is facing is that his core business is suffering due to the truck driver shortage. It is caused due to staff shortages as one-fifth of the German trucks are at a standstill and do not get used anymore. In Germany, there is a shortage of about 45.000 truck drivers in total and the deficit is still growing because around 15.000 truck drivers are retiring every year. Demography is at a disadvantage to the transport industry. Of the 1,5 million drivers who had a driver license in 2016, more than one million are over the age of 45 and only two thousand people receive the qualifications to become truck drivers each year.

According to Mr. S, the lack of staff in Germany results from the low attractiveness of the profession. This is caused by the bad image of being a truck driver, high costs of receiving the qualifications, unfavourable working conditions, and/or relatively low wages. Furthermore, many drivers feel constant stress due to the time pressure of their company and have to work in terrible conditions where they eat unhealthy food at gas-stations next to the road and have to spend a long time in very small cabins. They are also separated from their family over a long, sometimes undefined period as the logistics companies do not set up a planned schedule for their drivers.

Regarding the terrible conditions of truck drivers, the European Commission plans new regulations for transport companies all over Europe. The new regulations are set to be implemented in 2020 and aim to create fair competition, increase trucking efficiency, offering new payment rules, and to improve the standards of a truck cabin in order to offer a standardised environment for all truck drivers.

Within the new payment rules, a truck driver who travels outside his/her own country will receive a home pay level for three days. If the driver is still working abroad after this 3-day period, he/she will be paid according to the rules of the country in which he/she is operating. This will not only include the country's minimum wage, but also its local remuneration rules regarding overtime, bonuses, or allowances. Regarding the improved driver conditions, the European Commission is proposing that companies must pay for driver accommodation when a rest period of 45 hours is involved. This means that the truck drivers will not be forced to sleep inside their cabins for prolonged periods of time.

For the German Transport Industry, and according to the transport companies, the new regulation could lead to an elimination of unfair competition practices and ensure that the drivers are paid the same, regardless of their home member state. However, the regulations might take some time until the truck driver market in Germany gets more and more attractive again.

To become more flexible in his business and to build resilience against the truck driver problem in Germany, Mr. S aims to source experienced truck drivers from other countries. In the past, he already obtained three trucks in Hungary and has set up a successful business with hiring truck drivers from that country.

As Mr. S is still looking for internationalisation opportunities where qualified personnel can be found, he wanted to investigate the Croatian logistics and transport market as one potential option.

One option for Mr. S could be to start a company in Croatia. Mr. S went about gathering information on how to set up a Limited Liability Company in the country. It is important to know the key points to Croatia's social security and employment law, as well as key points about the legal and tax system. This information can be found in the appendix. The most challenging item to obtain information on were the requirements for acquiring the EU license. This is a license which has to be obtained to be allowed to carry out the transport of cargo between EU-member states. One individual must follow the training to qualify for applying for the license, and then register a license number to each of the trucks that are operating in coordination with the transport company.

One big challenge Mr. S faced when looking for the information was the lack of English-updated governmental websites and slow response from the governmental agencies to emails and phone calls. Also, as a lot of driving in Croatia happens in the unofficial market, it was difficult to obtain numbers on the available truck drivers. Unemployment is decreasing, but the average salaries in the country are low. A truck driver in the private sector in Croatia currently earns barely above the national minimum wage. Another option for Mr. S would be to acquire a share of an already existing Croatian transport company. These would be the two most common ways of entering the Croatian market.

## Conclusion

The problem of sourcing truck drivers has become more and more apparent in Europe. With more goods being consumed demanding more goods to be transported and over longer distances, truck drivers are in higher demand than ever before. Unfortunately, there is a huge driver shortage facing the industry with the current generation slowly starting to go into retirement, and the new generation totally disinterested in taking on truck driving as a profession. The new generation is not willing to go into an industry with a bad reputation, as more and more reports of overtired, overworked, and underpaid truck drivers are circulating in the media.



The problem is threatening the core of Mr. S´ business. If he is unable to source qualified truck drivers, Euro-Trans cannot continue to grow and may lose out on business opportunities. If many of Mr. S´ drivers would also retire soon, without Mr. S having found replacement drivers to take over their routes, he would maybe even be forced to shrink his business instead of growing it, or worst-case scenario, close Euro-Trans down.

In a globalised world the opportunities of internationalisation open doors to new markets, where it may be possible to find new opportunities. However, internationalisation can be very risky. When the company's headquarters is located in a different country, the barriers of language, culture and distance can pose a threat to the quality of the business conduct, which in turn has potential to harm the client. This goes to show the complexity of this issue.

In order for Mr. S to continue successfully running Euro-Trans, he has concluded that he needs to internationalise on a larger scale, with the goal being to source qualified truck drivers in new markets. As you are aware, there are serious risks involved, as well as the potential for success. For Mr. S to be well prepared for the potential internationalisation, he asks your help. Below you will find some discussion questions. By answering these questions, it will hopefully be possible to give Euro-Trans good advice on how to overcome this challenge.

## Case Questions

1. What can Euro-Trans GmbH do to attract new truck drivers?
2. Which challenges are pressing when it comes to hiring truck drivers in a foreign country, and how can these be overcome?
3. Investing in a foreign country can be challenging. How can Euro-Trans GmbH minimise the risks involved with such an activity?
4. What factors should be taken into account when deciding upon which country or countries to internationalise to as a logistics company?

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## Appendix 1:

### The Requirements for a Foreign Business to Start a Company in Croatia

Croatia scores high on the “Ease of starting a business”-index, with 8 procedures needed to start a company. This takes between one and four weeks, with standard starting-capital of a Limited Liability Company (LLC) being approximately €2700 (20.000 HRK).

#### **Key points to the 8-step procedure:**

1. The first step is to reserve the company's name
2. Notary: The notary completes the basic constituent document of the Memorandum of Association. There are standard documents that can be filled in for this step, which includes the articles of association, the appointment of the director(s), application of registration of the company, list of shareholders and managers, and others.
3. Commercial Court: There are standard documents to complete also for this step, including the application form, proof of deposit of paid-in-capital, articles of association, and others. This can be applied for online and typically takes just 24 hours. However, the hard copy of the incorporation certificate is usually received within two weeks, and the original document is needed to accomplish the next steps.
4. It is optional to order the official seal, which typically takes one day;
5. Statistical registration number: A copy of the Commercial Court ´s Decision on the entry into court register, and a copy of the Personal Identification Number (OIB) of the company is needed to accomplish this step.
6. Open a bank account and register for VAT and employee income tax withdrawals; this can be accomplished in one sitting with the bank;
7. Register with the Croatian Institute for Pension Insurance (HZMO) and Croatian Institute for Health Insurance (HZZO);
8. Register with customs authorities if the company conducts foreign economic activities.

#### **Key Notes:**

- In order to act as a director, a person shall contribute 51% or more of the authorised capital. The total amount of authorised capital should be more than 100.000 kuna (€13.455). Minimum 1 director must be appointed the company.
- In addition to the three Croatian employees in non-administrative positions, the company shall employ 10 Croats, if two of the directors are not citizens of one of the EU countries.
- A foreign natural person who is the founder of the LLC in Croatia has the opportunity to obtain a residence permit.
- The company ´s participants can be one or more legal entities/natural persons of any citizenship, nationality, tax residence status.

- A Croatian company is required by law to have an accountant. Average costs between 400 to 1.500 kuna per month for an LLC. End of year calculation comes on top of monthly fees, at least costing 2.000 kuna.
- Pay attention to the high costs of changing the business' address (initially given to the notary in step two above), as this requires a notary to be filed with the government and can cost between 2-4000 kuna, depending on the notary. Many accountants will allow the use of their address and can then also accept the post on your behalf.
- There are consulting companies available that can be hired to set up the company on your behalf. There are two main ways to do so, where 1) the client is present in Croatia and his/her passport is used to obtain a tax number and where the client appoints the director of the company, or 2) where the client is not present in Croatia and only a copy of his/her passport is needed as well as a special notarised accreditation. One such company is "Vomi Consulting", based in Croatia.

## Appendix 2:

Croatia's Social Security and Relevant Employment Law for Truck Drivers

### **The new Labour Act**

A new Labor Act was adopted by the Croatian parliament in 2014 after being criticised worldwide for its inflexibility. Croatia's employment protection regulation was among the strictest in Europe, and thus the new Labour Act has been adopted to increase the number of people employed, and to create a legal framework where employers have more flexibility whilst still maintaining employee protection. The main amendments are:

- More flexibility in working hours, extending maximum weekly hours to 50, or by collective (written) agreement to 60. Yearly overtime hours are capped at 180 unless collective (written) consent is given, in which case the cap is at 250 hours of overtime per year.
  - o "Unequal working hours schedule" has been implemented; this allows the employer to modify the employee's working hours according to needs. The maximum overtime hours remain the same, yet the collective agreement can allow the employee to "bank" extra hours and spend these on time off at a later point.
- Easier cancellation of employment contract in certain cases
  - o Note that if a court establishes that the dismissal of an employee was not permissible, it may award minimum three and up to eight monthly salaries as the compensation for judicial termination. This has been changed from a maximum of 18 salaries.
- Encouraging "atypical forms of employment" by increasing the allowance for temporary employment from one year to three years allowance of using the same assigned worker(s) to perform the same tasks.

## Appendix 3:

### Key Points on Truck Driver Salaries

- A truck driver's average hourly rate is €4,50; with the average monthly wage being €944.
- Minimum monthly wage: €470, and maximum any truck driver in Croatia earns per month is €1416 (numbers from 2018);
- 75% of the truck-driving workforce in Croatia earns €1180 or less. Private sector average monthly payments are around €810, compared to the average in the public sector which is about 34% more at €1082. Public sector includes also, for example, bus drivers.
- Salaries in the industry have slowly increased every year, at a rate of 3%. This trend is expected to continue, yet slowly.

Important to note is that some companies have reported difficulties in finding experienced drivers, yet the most recent claim was in October 2016. This is due to Croatia's role in international transport increasing. The Croatian government has tried to increase the number of students enrolled in schools for truck drivers and also the number of scholarships available to them.

The most recent report on this issue states that there are qualified truck drivers available in Croatia, but there are also jobs available regionally and nationally in the sector. These jobs are specifically bus drivers and heavy truck drivers. Competition can be amended by offering higher wages, as discovered above the private sector is still on average barely above the national minimum.

## Appendix 4:

### New EU Regulation for Truck Drivers:

This may be impacted by new rules, as the EU has recently agreed on new rules on truck drivers' working conditions to create fairer competition in road transport. The new regulation will also need to be adhered to in Croatia, as an EU member country. The main points of the new regulation are as follows:

- The new regulation will come into force in 2020;
- New payment rules: Drivers travelling outside their home country will receive their home pay-level for three days. If they are still abroad after three days they will be paid according to the rules of the country in which they are working, including then the minimum wage, overtime rules, bonuses, allowances, etc. of that country.
- Cabotage cap will be removed, allowing for any number of cabotage operations within 5 days of the international delivery.
- Improved driver conditions: Companies must pay for driver accommodation when a rest period of 45 hours is involved, e.g., drivers cannot sleep inside their cabs anymore during these longer rest periods.
- This will eliminate unfair competition, and means "drivers will get the same pay for the same work in the same place";

- Driving times remain unchanged: Driving time should not exceed 9 hours a day or 56 hours a week. After 4½ hours, drivers must take a break of at least 45 minutes. After a full working week, 45 hours rest must be taken (regular rest period) or 24 hours (reduced rest period), two consecutive weeks cannot exceed 90 hours of driving.

## Recommended Readings:

Vice documentary about life on the road: [https://www.vice.com/en\\_us/article/ppv3a9/international-lorry-drivers-swiss-truck-stop-876](https://www.vice.com/en_us/article/ppv3a9/international-lorry-drivers-swiss-truck-stop-876)

Shippers should expect higher trucking rates:

[https://www.joc.com/trucking-logistics/europe-3pls-shippers-should-expect-high-trucking-rates-year\\_20180702.html](https://www.joc.com/trucking-logistics/europe-3pls-shippers-should-expect-high-trucking-rates-year_20180702.html)

The shortage of truck drivers is a problem to the German industry:

<https://www.osw.waw.pl/en/publikacje/analyses/2018-08-08/shortage-truck-drivers-a-problem-to-german-industry-0>

Truck drivers are overtired, overworked, and underpaid:

<http://theconversation.com/truck-drivers-are-overtired-overworked-and-underpaid-100218>

Growth in EU Road freight transport for the fifth consecutive year (Eurostat):

[https://ec.europa.eu/eurostat/statistics-explained/index.php/Road\\_freight\\_transport\\_statistics#Growth\\_in\\_EU\\_road\\_freight\\_transport\\_for\\_the\\_fifth\\_consecutive\\_year](https://ec.europa.eu/eurostat/statistics-explained/index.php/Road_freight_transport_statistics#Growth_in_EU_road_freight_transport_for_the_fifth_consecutive_year)

The new EU Regulation for truck drivers explained: <http://www.europarl.europa.eu/news/en/press-room/20180604IPRO4914/new-rules-on-drivers-working-conditions-and-fair-competition-in-road-transport>

A short introduction to the EU requirements for obtaining an EU license for the professional transport of goods by road: <http://www.euromig.com/business-in-lithuania/business-licenses-in-lithuania/transport-license-of-european-union/>

# INTERNATIONAL ENTREPRENEURSHIP SKILLS EUROPE

## FIYLO Deutschland GmbH

Raya Grigorova, Marcel Frank Ernesto Volz and Tine Lehmann



### Introduction

Whether you are walking through your hometown on a warm summer night, passing by bars and pubs, all offering entertaining events, comedy shows, or small concerts for uprising indie singers, or scrolling through Facebook or your favourite event's page, looking for a cool new café to visit, festival to go to or concert to sign along with your friends and preferred artist, this is the daily life for most of us. However, have you ever wondered who organises all these events? How do they find a place and why was Ed Sheeran's concert held in the Olympic Stadium, so far away from your home? Who makes those choices and how do they know where to go so that they gather the biggest crowd and make as much profit as possible?

All these questions, and more, have been bothering a married couple of event planners for years, until one day, in the summer of 2006 they came up with an idea to gather all event venues under one roof, helping other agents organise events faster and smoother, providing you, the reader and customer, with more and exciting events to attend. Nicola and Frank make their, and many others', dreams come true in 2007 in Hanover when they created a company called "locationportale", later changed to "fiylo", an abbreviation for "find your location", and started helping event planners find the best location for their new events.

The company has been operating in Germany, Austria, and Switzerland, but the question of internalisation appeared in early 2018 when it thought: "Where to now?" It had

been surrounding itself with all neighbour countries as allies; so, the next logical move would be the Netherlands, Poland, or France.

All around the world there are events and business trips organised, premiers and concerts held, but what strategy should it proceed with, should it expand to the Netherlands as a neighbour country, or is this path not leading it to global success?

## About fiylo Deutschland GmbH

### Company Background

In 2007 a married couple, Frank and Nicola, made a dream come true by officially registering a GmbH in Hanover, Germany under the name of “locationportale”. The main idea with which they started their journey was to have an online marketing of venues, hotels, and event service providers. They created an online portal where German planners could look up different venues on the territory of the country and easily connect to the hotel or bar, without having to do much research on which venue is better located or if it would host a specific amount of people that either wanted or needed to attend.

With the years passing and interest growing, the website was translated into English, providing not only German speakers, but also foreigners, with its service. In 2016 the two founders decided to change the name in order to be better recognised internationally and to sum up the idea that the portal is used to find your location, the company name officially changes to “fiylo Deutschland GmbH”. This way it could realise its main dream – to unite all cities and its customers under one roof, make German cities more attractive and easily accessible, and help fellow colleagues/German event planners to better distribute events and connect internationally.

### Services and Profitability

Fiylo works with two types of clients, event planners and venues (hotels, restaurants, service providers, etc.). For the event planners there is no fee and the website can be used freely. They can register and have an account with which to follow their requests for suggestions of location or type of venue. The company offers a newsletter to which anyone registered can subscribe, with important information about upcoming events and new places that are added to the long list of venues fiylo works with. Additionally, one can request more information on possible venues in a given region or city, depending on the occasion, e.g. event, presentation, wedding, congresses and conferences, private or business meetings, homecoming, or other occasions specified by the event planner; or, depending on the type of location like a stadium, arena, boat, historical, barn, castle, hall, hotel, oriental, museum, industrial hall, farm, and others. On the website itself, there is a pop-up appearing that offers everyone free advice from one of the owners themselves.

The direct communication with the founders and advice based on personal experience, makes the website and service as a whole more attractive to event planners, giving them the opportunity to expand their knowledge and network.

The second type of customers fiylo works with are the above-mentioned locations and places, whether it's a historical palace, an industrial hall, an ex-factory that is now a well-known club, or simply a hotel. They are obliged to pay a fee, from which comes all the profitability of the company, which is a simple annual subscription that allows them to be shown on the platform and be suggested to event planners. In big cities like Berlin

and Frankfurt, the fee is 3.000 EUR per year, in smaller locations like Dresden, the fee decreases to 1200 EUR annually. Additionally, they can purchase add-ons, for better visibility on who has searched for them and all different new tools. This is a business model that works for both parties, especially as the venues receive somewhat free marketing and advertisement, which usually would cost them more, not only investment, but human labour and hours of work put into a good marketing campaign and strategy.

For the past years fiylo has been generating revenue of 2,8 mil euros, operating in three different countries and having an employee base of 30 people all over Germany, without taking into account all the freelancers it is working with.

## The Industry

The industry in which fiylo operates is called MICE, which is an abbreviation for meetings, incentives, conferences, and exhibitions. It is both beneficial for tourism and economic development of countries and cities, generating millions of revenues worldwide (Anon, 2019). It deals with all sorts of events, from business meetings and travel to art exhibitions, health conferences, and trade shows. It is an industry in which most of the people are indirectly involved in, which makes fiylo's choice of business model a very successful and prominent one. Based on recent numbers by the International Congress and Convention Association (ICCA), a global industry network, there has been a significant growth in profit generated mainly by a group of countries, which are voted in the top positions. The United States of America has been ranked first for the past decade, followed by Germany, the United Kingdom, France, and Spain. Due to their geographical position, high touristic interest, and economic development, those countries host thousands of events annually (Oxford Business Group, 2017).

## Internalisation Strategies

On its 10<sup>th</sup> anniversary, fiylo took the risky step to further expand its business beyond Germany; even though Germany is one of the countries with the most MICE organised events in the past years. The first country that it chose for its expansion is Austria, due to the similarity of the language and close proximity to Germany. Austria is divided into different regions and every one of them has its own Convention Bureau, Burgenland, Carinthia, Lower Austria, Salzburg, Styria, Tyrol, Upper Austria, Vienna, and Vorarlberg. Starting with Upper Austria, it made contacts with the Convention Bureau in order to provide an online service in the country, without having an actual office. Due to the proximity of Upper Austria with Germany, initially it only offered its services there, using the Convention Bureau as an intermediary between fiylo and the venues (Austria Convention, 2019). Throughout the year, once the business was successful, it established its own sales department and started addressing the individual venues directly, using the same model of business as in Germany. Currently, it has just one sales manager, who started in October 2018.

A few months later, in 2017, it expanded its business to the Switzerland. In order to save time and further costs in opening its own sales department, fiylo changed its business model and decided to have only one contact point, the Central Swiss Convention Bureau. The Switzerland Convention and Incentives Bureau is a national non-profit organisation that represents conference destinations, event organisers, and travel companies (Switzerland Convention & Incentive Bureau, 2019). The company only can use venues that are already partners of the Convention Bureau, restricting them of finding new and interesting venues. Its strategy helps it save troubles with going through set-



ting up an office in the country, employing people, and dealing with all the customers directly. The disadvantage of having an online business only is in the communication between fiylo and the customers (mainly venues) that is at times complicated, creating the so-called bottleneck effect, reducing productivity in all processes of work.

With further research of the MICE market in Germany, Austria, and Switzerland, can be concluded that the path fiylo has taken so far has been nothing but right, increasing its profitability and brand awareness. In the past the company has followed the traditional Uppsala approach when going international and expanding into the culturally, geographically, legally, and first and foremost, linguistically close Austrian and Swiss MICE markets. The next important step for the company is to expand further into the neighbouring countries, the main desire being the Netherlands, due to its proximity and well-spoken English, which helps fiylo deal with the business without speaking the native language, Dutch. The Netherlands is an important business tourism location: "In 2014, 3,6 million visitors came to the Netherlands for business reasons, representing about 26% of all international visitors. The United Kingdom provided the highest number of business visitors, followed by the United States, Germany, Italy, and Belgium" (OECD, 2016).

Conquering all of its German speaking neighbour countries, fiylo wants to proceed with expanding further abroad, looking for an appropriate approach and strategy, having to choose between its two already existing and well working business models. While Fi-ylo did already gather some international market entry experience in equity-intensive (Austria) and non-equity (Switzerland) modes, it yet lacked much of a roadmap of how to enter the Dutch market.

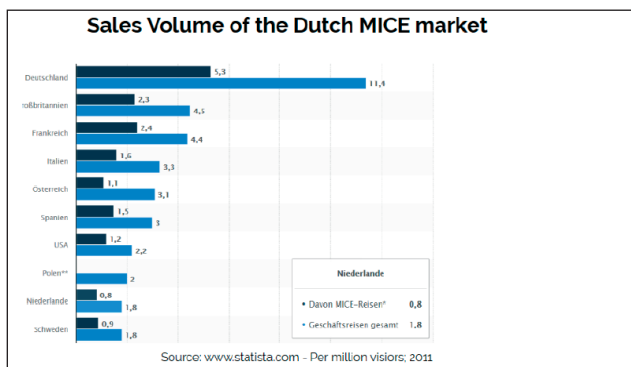
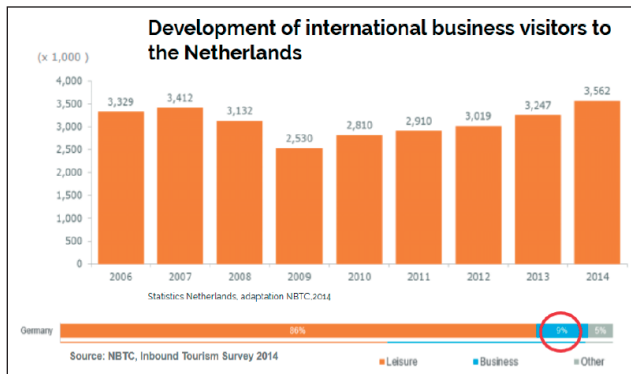
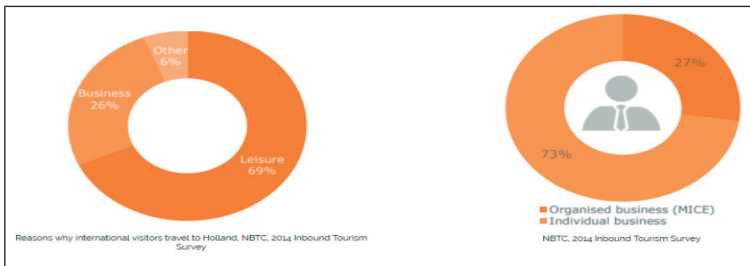
## Case Questions

1. Smaller companies usually face additional challenges when starting to internationalise compared to larger companies. Which of these typical challenges will be relevant for Fiylo and which may not be a problem?
2. Fiylo did not follow a clear internationalisation process in the past. This time, they want to do it right and start with an external analysis of the Dutch market. Please explain the stages of the external analysis, in which state is it currently, and what will be important factors to analyse?
3. Should fiylo enter the Dutch market?

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# Appendix



## How Project Management Leads to Success at GHT

Bogdan Marchinko, Carolin Fleischer, Ivan Tenev and Veit Wohlgemuth

### Introduction

In the early days, GHT GmbH (German Heat Technology) was a successful company operating in the field of heat technology and recovery. The company had a unique position in the market and cooperated with global partners by engineering, manufacturing, and selling its products to end customers like Siemens or Bosch.

However, in recent years, the company faced major problems related to its business. The former CEO and owner of the firm, Mr. Schulz, made the decision to focus operations on engineering and selling of the product only. Therefore, manufacturing was outsourced to producers outside of Germany as this was supposed to reduce costs. Looking at the current situation though, the company's market position has declined due to long delivery times, inflexibility, and a lack of technological progress, which lead to an severe financial instability of the firm.

As Mr. Schulz was not ahead of the situation anymore and was about to settle down for his retirement, he asked Mr. Tannenbaum to become the new CEO of the firm and to work on improvements of the firm's business. Mr. Tannenbaum already gained work experience at GHT GmbH for eight years and had a very clear understanding of the company's business. Hence, he was happy to take this offer and the responsibility of running the company in January 2018.

Before handing over the company to Mr. Tannenbaum, Mr. Schulz insisted on keeping the business model of GHT GmbH as it was at that moment. Namely, solely engineering and selling the products to the end customers. For this reason, GHT GmbH acts as a sales distributor on the market by offering tailor-made solutions to its potential partners.

The manufacturing of these products is outsourced to a supplier in China. Since business relations are very strong with this particular manufacturer, at least one of the products shall be produced in Wuxi, situated close to Shanghai.

After carefully reviewing the financial statements of GHT GmbH, Mr. Tannenbaum was shocked about the current status from a finance as well as market position perspective.

The analysis of the company's strengths and weaknesses disclosed two specific operations that needed improvement in order to ensure survival and future growth of GHT GmbH.

First, Mr. Tannenbaum aims to improve the shipment from China to Germany in terms of delivery time and new route possibilities. The current shipment route takes too long to be competitive in the German market. Customers are not willing to accept delivery times of more than a few weeks. Moreover, he wants to identify production opportunities in Europe. This would solve two problems. First, it would reduce the delivery time and second it would reduce the dependency on the sole Chinese supplier that already works at capacity, which creates some production shortages. Hence, manufacturers within Europe for certain products of GHT GmbH must be found, which in the end will lead to higher flexibility to acquire and serve customers.

In order to address possible adjustments, Mr. Tannenbaum decided to announce the kick-off of two projects - logistics improvement and European supplier network development, for which he decided to hire two more employees.

## Business and Organisation

The German Heat Technology company is a relatively small business relying greatly on the know-how of the professionals that the company possesses. Due to the company's size, a relatively flat hierarchy was adopted which provides advantages compared to competitors. Currently eight employees work full-time, six of which have an engineering background. This results in a lack of expertise in other important fields that prevent the steady development of the firm. Only three people in the company have some knowledge about business administration - one of them is the CEO, Mr. Tannenbaum.

The situation in the company makes it hard for the managing director to fully execute his duties, because he has to be in several places at once. Therefore, he acknowledged the need for helping hands and made the decision to hire two more people to work on the two projects. This means that four people in total are involved in the projects, two newly hired and the other two that already work in the company and have a business background. A full-time employee with Ukrainian nationality joined the firm, who has 10 years of experience in the field of project management, which he mainly gathered by working in China. In addition, he also hired a working student with Mexican background, working part-time up to 20 hours a week, whose responsibilities would be to take care of various time-consuming tasks like research and administration. Thus Mr. Tannenbaum will save time for himself and his other colleagues, which they can use to focus on more sophisticated and important matters.

## Defined Project Management Criteria

After increasing the work capacity of the firm by hiring additional staff, Mr. Tannenbaum officially announces the two projects the team is going to be working on - improving the logistics concept for goods assembled in China and finding new suppliers for manufacturing the products, designed by the firm. The projects need to be successful, otherwise the company might need to postpone payment of wages to its employees. Because the circumstances in the organisation are quite chaotic, the managing director has already set up main targets that the team has to achieve within the two assignments:

## Logistics concept:

### **a) Market research**

The team will have to conduct research regarding the transportation industry - find all the different possibilities to ship products from China to its end customers in Europe and identify the companies which provide such services.

### **b) Comparison of transport methods**

After conducting the needed research, the team has to compare the diverse means of transportation.

### **c) Forwarder quotes**

The next step would be to receive actual quotes from the chosen forwarding companies.

### **d) Decision**

In the end, after receiving information about pricing, timing etc. the CEO has to make the final decision on how to proceed further, leaning on the group's initial research and the additional information received from shipping companies.

## Finding new suppliers:

### **e) Market research**

Again, as with logistics, initial market research would be needed in order to find companies which possess the ability to manufacture the products as well as fulfil GHT's requirements in terms of certificates.

### **f) Set criteria**

In order to filter through the various companies, the team has to define specific criteria.

### **g) Evaluation matrix**

The chosen criteria should be implemented into an evaluation matrix. Companies are aligned to that matrix which makes it better to visualise the suitability of the chosen companies, divided into regions.

### **h) Select suppliers**

According to the matrix, the most suitable enterprises are selected.

### **i) Initiate contact**

In this final part of the assignment, team members should discuss and come up with a plan what would be the best way to contact potential future partners.

In order to stress the importance of the projects, Mr. Tannenbaum set a tight time-frame - he wants to see the first results by the end of the month. Subsequently the projects should be finished three months later, in order to make sure his life-saving innovations are implemented in time to ensure GHT's survival.

## Case Questions

1. Based on Tuckman's model (FSNP) of team building, show the different stages the new project management team at GHT GmbH would go through. Discuss the problems that can occur in particular and give solutions of how to solve them in order to perform well as a team.
2. Since the project tackles two major issues, Mr. Tannenbaum requests to have a clear division of the work. He would like to see the actions and milestones that are needed to fulfil the projects. Provide a clear overview of tasks as well as subtasks of the project and how they are interlinked with each other.

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# INTERNATIONAL ENTREPRENEURSHIP SKILLS EUROPE



## Buying a Packaging Machine

Kallio Päivi, Lehtonen Arto, Pajari Leea, Rumpunen Nea and Saviste Kaisa

### Introduction

Standing in front of the Executive Team, Hilla Marjatta Hillo found herself thinking about how she had got to this point. She was working for an international pharmaceuticals procurement team in Germany. Her first task was to identify the best machine supplier for the company. They needed a stretch wrapping machine for the new packaging line.

Hilla had studied procurement at the Turku University of Applied Sciences and had graduated a year earlier. She'd completed her bachelor's thesis for an international pharmaceutical company that had a manufacturing plant in her hometown of Turku. The company was very pleased with her thesis and had hired Hilla for the purchasing team at the Turku office. The company had been in Hilla's sights for several years because it had a good reputation, and she had always been interested in international affairs. The company offered all the conditions for the career she had dreamed of.

While working at the Turku office, she had observed the entire production facility and learned the importance of production running smoothly. Even unexpected stoppages created pressure for production, maintenance, purchasing, sales, storage and management. That's how she'd come to the view that everything in the production plant affected every sector.

Hilla knew that there were several suppliers of wrapping machines. She'd wondered how to find the best supplier for the company. She'd planned to send out customer surveys, and she'd searched for information on the Internet, but the biggest personal impact had been at Europe's largest packaging trade fair, where she was introduced to a company called Haloila Oy.

Haloila Oy is a Finnish company operating close to Turku, her hometown. That wasn't an important factor in her decision – the keys were the way the company operated, the company's business culture and its customer orientation. Haloila's corporate philosophy wasn't just about making the best machines in the world but also providing the best customer service and culture. Machines and inventions can be copied, but a company's operating culture is very difficult to imitate.

## Company background

Haloila is a Finnish company. It was founded in 1972. It started as a subcontractor for the metal industry. In 1976, Haloila presented the first rotary semi-automatic wrapping machine. The machine was built at the customer's request, and this was how the company's core business was generated. 1983 was a milestone in the company's history: the company presented Octopus, a fully automatic stretch wrapping machine. As well as being the first semi-automatic wrapping machine, Octopus was also created in response to customer requirements. Ever since it has been Haloila's flagship. Over the years, innovation and increased automation have modified the machine – but its main operating principles have remained the same.

At first, Haloila only operated in the domestic market. In 1976, when the first semi-automatic wrapping machine was created, Haloila began its export activity. In 1986, exports outside Europe started, and the first machine was delivered to the USA. In 1991, Haloila was sold to Newtec International. Since 1995, Haloila has been under American ownership. Haloila is now owned by Signode Industrial Group, an American packaging company. Haloila has two factories, one in Masku in Finland, the other in Kârdzal in Bulgaria. The fully automatic machines are manufactured in Finland; the semi-automatic machines in Bulgaria. Haloila has about 190 employees.

In the field of fully automatic wrapping machines, Haloila is one of the leading global brands, but it is a minor player in semi-automatic machines. Haloila sells almost 300 automatic machines a year. The company is doing well. Its growth has been solid in recent years. The table below shows the actual numbers between 2014 and 2017.

Year	Revenue (EUR)
2014	37,416,000
2015	39,853,000
2016	40,684,000
2017	47,878,000

## Sales channels

Haloila's industry is very narrow. In Europe, the business is very stable because it has few rivals; globally, markets are more open and there are many opportunities. Haloila is very export-focused: over 95% of its products are exported. Haloila does not use retailers but seeks to handle the selling process directly. By using their own sales representatives, Haloila succeeds in maintaining good contact with their long-term and potential customers. Haloila's ambition has always been to listen to their customers. With the help of this customer-focused policy, Haloila has succeeded in becoming one of the leading brands in ring wrapper technology.

## The required features of the stretch wrapping machine

Hilla's previous experience gave her an idea of the kind of machine the production line needed, and the Executive Team had its own demands for the required qualities. While interviewing the production plant technical department staff and examining the



production process, Hilla gained fresh insight into the qualities and features required of the machine.

- The machine should be able to wrap pallet loads.
- The machine should be able to be integrated at the end of the production line.
- The machine should be fully automatic operationally.
- The end result of wrapping should have an automatic warehouse proof.
- The machine should have an automatic reel change option.
- The interface of the operator panel should be easy to learn and use, and it should have a customer-tailored option.
- The supplier of the machine should be able to offer a customer-tailored maintenance contract.
- The machine's spare parts should be easy to order directly from the supplier.
- There should be a contact person in Germany representing the machine supplier.
- It should be possible for the whole purchase to be made with a turnkey solution.

## Where to find data

When Hilla was tasked to purchase a new wrapping machine for her company, she was a little confused about what was required of her. She knew that the company would appreciate a smooth and efficient purchasing process. The company's main objective was to find a reliable and cooperative supplier, but the economic perspective could not be forgotten. The assignment was not an easy one, but her desire to demonstrate her talent was Hilla's motivation and was helpful to her in this task.

Hilla knew some wrapping machine suppliers already, and this helped her start the purchasing process. At first, she had to collect data from the suppliers she already knew and, at the same time, she had to find new potential suppliers. Acquiring information is easy these days because of the Internet. With the help of Google and other search engines, Hilla managed to obtain comprehensive information about various possibilities. In Hilla's opinion, the most valuable information was on the companies' own websites. She was able to find information there about both the companies themselves and the machines they offered. The references shown on the companies' webpages were also very useful and reliable data sources.

But this wasn't enough. Because of the economic scale of this purchasing objective (wrapping machines aren't cheap!) she wanted to collect even more data and obtain more detailed information about suppliers and machines. Luckily, one of the biggest packaging trade fairs was being held near her workplace, so she had an opportunity to make personal contact with possible suppliers. At the fair, Hilla explored many suppliers, acquired information and listened carefully to what the suppliers had to offer. One of the suppliers made a great impact on her – Haloila Oy. Their stand at the fair was very informative and attractive. It provided visitors with full and reliable information, and they also had succeeded in visualising their latest wrapping machine model very well. Haloila's sales representatives at the fair also made an impact on Hilla. All in all, Hilla was impressed by Haloila's all-encompassing approach. Haloila didn't only want

to sell the machine; they wanted to sell the service. Their operational model was based on LEAN thinking, which was another factor for Hilla. Hilla was now convinced she had enough of the right kind of data to proceed with the purchasing process.

## The decision-making process

When you're tasked with making such a big purchasing decision, you have to analyse the collected data. Hilla knew that not all the information was equally important. With a commercial education, she needed help from her company's technical department. They knew about the technical requirements the new wrapping machine should have, and they were able to compare different types of machine.

Hilla had done the groundwork before attending the fair, so when she was there, she was well prepared to ask the suppliers detailed questions. Personal sales work was emphasised at the fair, and Hilla had a good opportunity to get to know the suppliers. Personal contact with a potential supplier is important not only because it makes data acquisition easier but because of future needs. If any questions or problems arise, it's always easier to get help if you already have a connection with the supplier. Haloila was thus able to convince Hilla by promising a comprehensive solution for Hilla's company's requirements. Haloila also assured her that their service solution was the most extensive and efficient the market had to offer.

## Conclusion

The purchasing process was quite protracted, but this was necessary to deal with all the details carefully because of the product's economic scale. Although the process was lengthy, both Hilla and her company were satisfied because it ran smoothly and resulted in a good deal with Haloila Oy. Hilla's company was very pleased with Hilla's work. She had managed to acquire a vast amount of relevant information and analyse it well with the technical department. Hilla presented the management a comprehensive and thorough proposition, based on which the management was able to make a purchasing decision easily. They could rely on Hilla's work and were convinced that Haloila's wrapping machine was the best option for their company.

## Case Questions

1. What kind of information needs to be collected when buying a stretch wrapping machine?
2. Where can accurate and reliable data for this purchasing process be found?
3. How can this data be evaluated?
4. Why is data distribution of great importance to a company?



## Laitilan Wirvoitusjuomatehdas How to enter the German market

Essi Grönfors, Niko Hakala, Petri Kuru, Tiia Ollila and Santtu Pääkkönen

### Introduction

Our story begins in the autumn of 2018 in a small town in Western Finland called Laitila. It's a beautiful sunny day, and a warm breeze is blowing through the Laitilan Wirvoitusjuomatehdas factory. Production of the best beer brand in Finland has just begun this morning. You can hear the machines humming in the background, and the smell of fresh malt fills the air. You can almost taste the freshly made Finnish top-quality Kukko beer. But it's not ready yet. It must be locked in a sealed container for at least three weeks. Only then will Kukko have its unique taste and be ready to be served to anyone who appreciates fantastic tasting beer. To top it all, it's gluten-free too. No one knows how it became gluten-free, but sometimes accidents make great things even better. For Finns, a little moment with a good beer can make your day. Some might call this magic, but Laitilan call it professionalism.

Matti Tepponen has a great vision. If this beer makes Finns happy, why keep the happiness to ourselves? Don't others deserve that lasting feeling of a special beer that can make your day better? Shouldn't we spread it all over the world? But where should we go? The Swedes already love our Kukko. Americans loved it too, but the demand was too high for the people who wanted to bring it there. How about France? Well, they drink more wine, so it's not an ideal market. But wait! There's one country known all over the world to have the best of the best beer. A country known for its Oktoberfest and beer culture. Germany. There's just a couple of problems. First, we know they place a high value on beers made in Germany, so how will they react to our beer? How should we market it? They may not appreciate it if we market it as the best tasting beer. So should we market it as a gluten-free or eco-friendly beer? The only way to find out is to go there and do some research. Time to get a ticket to Germany and have a fun time with the local beer culture and people!

## Company background

Laitilan Wirvoitusjuomatehdas specialises in alcoholic beverages. Since 1995, Laitilan's business idea has been to make drinks of unparalleled quality and imagination. These include many different kinds of beer, long drink and sparkling wine. Laitilan also produces some alcohol-free beverages like lemonade. Laitilan may be the most appreciated brewery in Finland, because of the taste of its beer and the ethics behind its production. It markets itself in Finland as Finland's greenest brewery. This fits well with Laitilan's ethos. Laitilan was a green producer long before the great "go green" boom started. Laitilan has used only wind energy in its production since 2001, saving 24,000 tonnes of carbon dioxide to date. It built a solar power plant in the spring of 2018. Laitilan has a high-quality recycling system. Everything is recycled and used for other purposes: malt waste, for example, is used to feed local animals like sheep and cows. Laitilan's goal is to produce better beverages for the people. The company has become Finland's fourth-largest brewery. Their production facilities have been expanded several times, they use traditional production methods and new technologies.

"It's become quite clear, you see, that our bubbly beverages are craved by everyone who likes a drop or two – gentlemen and scoundrels alike."

## Product

Laitilan's objective is to make better beer for the people, and that's what Kukko (in English, rooster) symbolises. The Kukko story started in 1998, when the company started to produce Kukko Höryolut. In 2005, Kukko Pils was the first full-malt beer in the world to receive an international gluten-free product trademark. Because taste matters, it was never the intention to make the beer gluten-free. It was a lucky accident, which made Kukko even more special. Could this be the key to Kukko's success in countries that have breweries like Finland has lakes – thousands of them?

## Internationalisation

Currently, Laitilan exports to Sweden, Russia, China and Hong Kong. The USA was on the list for a while, but there were some difficulties with distribution – so unfortunately, Americans will have to wait to get the taste of Kukko again.

Laitilan offers Kukko Helles as an export product for the Swedish Systembolaget, and three Kukko styles for other export markets. They think the selection is still a little modest: there hasn't been enough time to launch more products abroad. In China, Laitilan's sparkling wine is popular. The next step is to gain access to the German market.

## Going to Germany

Matti Tepponen is travelling to Germany. His employer has given him a mission. "We want to get Laitilan Wirvoitusjuomatehdas Kukko beer into Germany." It's Matti's mission to find out if this can be done.

That's how it started. Matti Tepponen has arrived in this unknown land called Germany. He could get started right away, but he's a Finn. First things first! He really needs to get some great beer with good company in some cosy bars and pubs.

He quickly realises that Finns and Germans aren't so different after all. Both are pretty

quiet with strangers, but after a couple of glasses of great beer, it's like they've known each other for a long time. It's time to get started – and here are Matti's first interviewees. Regular people, who like good beer.

What do they think of gluten-free products? "I don't have celiac disease, so I don't know much about the subject. I think products like that don't taste quite as good," says the first guy. "I think they're a bit expensive. But my wife buys them. She doesn't have celiac disease or an aversion to gluten, but it seems to be a fashion these days," says the second guy. "Actually, in my family almost everyone has a gluten allergy. Luckily, I don't. But I've done a lot of gluten-free shopping in my time," says the third guy, who's a little older than the other two.

Matti and the third guy, who later introduces himself as Daniel, have a long conversation about people in Germany. As they're talking, it dawns on Matti that Germans are proud to be Germans. Matti tells Daniel about his mission and asks if he has any useful information. Daniel tells Matti that if he really wants some answers, he should find some students. Students have lots of contacts and they really appreciate a glass of great beer.

## Case Questions

1. Discover the attitude to gluten-free products. Do Germans love or hate the idea? Do people know if they have celiac disease, and are they forced to use gluten-free products?
2. Get to know local beers and competitors. Is it possible to compete on price or quality, or will it need something else?
3. What needs to be considered when you're trying to enter the foreign market as a small and unknown brand?

## Leveraxe going abroad

Antti Tyykilä, Janita Laakso, Kalle Hokkanen Oskari Vuorio and Samu Suominen

### Introduction

Heikki Kärnä wanted to invent a smarter, more efficient and more ergonomic axe than the regular ones on the market. This all started 20 years ago in the gloomy Finnish forest. At the time, Heikki was clearing a rocky site to build a house for himself and his family. As he worked, he got really frustrated with his normal axe. "Damn it!" he said in despair. "Making firewood is such hard work, and it's dangerous too!" He decided the normal axe was way too dangerous and arduous to use. "I need to work on this!" Heikki said to himself. This was Leveraxe's eureka moment. After it, Heikki began to turn over in his mind how he could improve the normal axe which the salesman in the local hardware store had recommended so highly. After multiple prototypes and visits to the local blacksmith, he finally managed to perfect his invention. He was very pleased with his work and believed it would be a success. This invention is now known as a *Vipukirves* – or Leveraxe in English.

The years went by, and Heikki sold his axe successfully in Finland. Some pieces were sent abroad thanks to good websites and marketing. One summer, Heikki was on vacation with his family in Croatia. They rented a car one day and passed a small village in the countryside. In the village, the local lumberjacks were trying to cut trees into firewood with a rusty old axe. Having observed what they were doing for a while, Heikki decided to go and chat with them and ask what they thought of his axe. After showing a few YouTube videos, the lumberjacks were enthusiastic. "We want that!" they exclaimed.

After his Croatian vacation, Heikki couldn't get that conversation with those lumberjacks out of his head. He began to ask himself, "Is there a potential market for Leveraxe in Croatia?" At first, he was very doubtful, but with time he realised that he couldn't just ignore this opportunity. He started to push the idea in Finland. After trying many different approaches, he decided to contact a group of Finnish students. These students came from many different fields, and Heikki had strong faith in their professional skills. He tasked them to map markets for Leveraxe in Croatia. The students were excited about the task. They wanted to believe in the idea and started to explore the potential for Leveraxe in Croatia. After some time exploring the market, they began to realise that it wasn't going to be easy...

## Product demo

The Leveraxe is a Finnish product created for chopping wood. It is better and safer than a normal axe because it has a special blade. The idea of the axe is to strike the left side of the wood with it, at which point its head goes only 5 mm into the wood before immediately rotating to the right. As the axe turns, the leverage tears away the firewood. The leverage force is much stronger than the wedging force of traditional axes. The correct striking technique is important. The safety hook ensures the firewood drops nicely without causing any damage.

What's the difference between the Leveraxe and a traditional axe, and why is the Leveraxe safer than a conventional axe? Well, whereas the traditional axe sinks a few centimetres into the wood, the Leveraxe sinks only 5 millimetres. With the traditional axe you then have to free it from the wood, and there is always a possibility that it will be embedded really tightly. In contrast, the Leveraxe chops the wood without getting stuck. And the handle's length is all about safety. The long handle (90 cm) ensures the stroke will not hit your leg even if you miss the log and strike the ground. It also gives more speed and precision to the blow. The Leveraxe's length is optimal because it requires you to use your body, without bending your lower back.

How about ergonomics? The Leveraxe should be used with two hands, the right hand on the upper part of the handle and the left hand on the lower part (or vice versa if you're left-handed, of course). When you swing the Leveraxe, you should slide your upper hand next to the lower one. You also need to loosen your grip so that the Leveraxe's leverage force can work correctly. Finally, the force of the leverage splits the wood, and you don't have to be afraid that the blade will get stuck. The best base is a chopping block about 30 cm high. You can improve the result by using a tyre in conjunction with the chopping block. You can fill the tyre with logs and start chopping them. This way the logs stay stationary while you're chopping, and you can lift them all at once and move them to dry in a pile. Using the tyre technique saves you time, trouble and your back. This isn't necessary for splitting logs, but the tyre keeps the small pieces of wood together, reducing the time and effort spent picking up the pieces that fly away.

Leveraxe offers two different types of axe. Models are the same, but the difference in blade design between the Leveraxe Classic and Leveraxe Ultra models is due to the different manufacturing processes and materials used in both. The Leveraxe Classic model is suitable for chopping all types of wood. The Leveraxe Ultra model is best suited for chopping hardwoods such as dry deciduous woods.

The Leveraxe Ultra is lighter, so even a weaker person can use it easily. And it's as powerful as the Leveraxe Classic. With the lighter Leveraxe, you can attain a faster speed and greater power as a result. Because the Leveraxe Ultra is lighter, it may require more training to learn the correct splitting technique, because the blade weight helps the axe to turn.

## Sales channels

Vipukirves Heikki Oy sells the Leveraxe through their own online store on their website, and they also use some retailers. Over the years, the number of retailers has grown, and they now have several around the world, in Europe, North America, Australia and Asia. Depending on the retailer, the Leveraxe is sold in online and local stores. The latter are usually hardware or department stores.

## Current marketing strategy

The company mainly utilises social media for promotion. It can be found on five different social media channels – Facebook, YouTube, Twitter, Instagram and Pinterest. Leveraxe's YouTube channel is no longer so active, but it is the most popular – one video has almost seven million views. Leveraxe is equally active on the other social media channels, with a few posts every now and then. Leveraxe's posts on Instagram get an average of 20 to 80 likes each, and they currently have 434 followers. Although Leveraxe's Facebook page has more followers (currently 4,700) than Instagram, the engagement is lower – there are a lot fewer likes per post. The final active social media channel is Twitter, where Leveraxe currently has only 187 followers and little posting or other activities.

In addition to social media, Leveraxe has its own website. Leveraxe's homepages are very comprehensive – customers can find all the information they need there. The website includes information about the company and its history, the Leveraxe as a product and how to use it, the online store, retailers and many other things.

In addition to online marketing, the Leveraxe has received great magazine exposure. Many magazines around the world have written articles and stories about Leveraxe and its creator Heikki Kärnä. Articles and stories usually include user experiences, and this has proved the best way for the company to market the Leveraxe.

## How to export?

Heikki is interested in expanding the Leveraxe's sales internationally. For this, he needs to survey the markets in various countries. To succeed with the survey, he will need to conduct an extensive investigation into each country's market, but he doesn't have enough time to do this. So Heikki has decided to work with a local University of Applied Sciences. He's got a student team to help him to survey markets and Leveraxe's potential in various countries around the world.

First, the student team has to get to know Heikki, his company and its practices and values, and, of course, the Leveraxe. Next, the student team has to help Heikki to survey the markets in potential countries and identify Leveraxe's potential in them. The student team's mission is to gather as much useful information for Heikki as possible about each country.

The student team's main goal is to find the best way to get Leveraxe to customers in the target country. The team identified two ways of doing this.



### **Scenario 1. Online store**

Heikki's company has a good website with a working online store. You can order the Leveraxe from the website for almost any country in the world. The only thing they'll need to do is to devise a good marketing strategy for customers in the country where the Leveraxe will be sold.

### **Scenario 2. Retailers**

The other option is to find a suitable retailer in the target country. They'll need to find some hardware stores in the country that may be willing to sell the Leveraxe.

## Case Questions

Both scenarios have their pros and cons. The Leveraxe is a product which requires understanding before it can be used properly, so retailers will be able to show customers how to use it – but will they be able to make a profit? Buying online cuts out the middleman – but who's going to buy the product if they don't know how to use it? Choosing between these two options isn't easy. You need to consider which is better for the company.

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## Going Abroad to Fight Migraines: The internationalisation of M-Diary

Jacob Holle, Gergely Kiss, Samuel Schrader and Ho-Hsuan Tsai

### Introduction

In Europe, 14.9% of all adults aged 18-65 suffer from migraines, a headache disorder causing episodic attacks with strong headache, nausea, visual, and aural oversensitivity and other symptoms (The World Health Organization, 2011).

One of the affected people is Julia Schulze, the sister of Fabian Schulze. In his teenage years, Fabian often had to experience how his older sister suffered from the attacks, taking her out for one or sometimes for several days. It happened more than once that the family had planned weekend trips and that they had to be cancelled last minute because Julia had one of her migraine attacks. She saw multiple doctors to help her solve the headache problems, but none of the researched medical solutions caused a significant improvement for Julia.

When Fabian went to university to study computer science, he also met people with similar problems as his sister (especially females aged 25-40, who are the most affected group) so he decided to find a way to use his skills in fighting the migraine disorder.

After completing his master's, he found two ambitious students - one biologist and one physician - that he could start a business with to fight migraine headaches. That is how M-Diary Ltd. was established in October 2017.

M-Diary is a tech start-up providing a medical app called ByeMi (short for "Bye Migraine") with which people suffering from migraines can track their migraine symptoms and other factors that influence the disorder. The app automatically estimates the potential triggers for the user's migraine attacks. It also provides meditation programmes and exercises that can decrease the frequency and intensity of those attacks. There is a free version of the app with basic functions and a €9.99/month version with all functions available at the common app stores. In addition, M-Diary has partnerships with private insurance companies in Germany. In these partnerships, the insurance companies pay the monthly fee and the customers can download the app for free. Furthermore, M-Diary is currently trying to get reimbursement from the big public health corporations in Germany, but since this is a very lengthy process with a lot of regulations, it has not had any luck yet.

After collecting money from investors in 2017, the start-up developed its app, is continuously improving it, and conducts further research in collaboration with universities and health care providers. It's algorithm also highly benefits from data that actual users generate.

The app is already published and in use on the German market and lately, the company has put a lot of effort into creating a translated version for the US market. The team already consists of 20 people, of which about 10 are skilled in coding.

Fabian just left a meeting with his investors in which he had asked for more money to hire more programmers. He thinks that his app will be even more effective if the algorithm is further developed and improved. The investors agreed but are not willing to invest more capital before M-Diary Ltd. proves that it can increase its revenue significantly. Up until now, the expenses of the company exceed the small revenues from the German market by far.

Fabian calls his co-founder, Babette, to discuss the next steps after the disappointing meeting: "Babette, we have a problem. Contrary to our expectations, our investors are not willing to provide more capital yet. They want us to prove that we are able to create more revenues. What can we do? If our company fails to do so, my dream of helping my sister and all other people suffering would bust."

"First of all - hey Fabian, I am also happy to hear from you. This is truly bad news, but our situation is not as bad as it might seem to you. Remember our plan to enter the American market? Our great team just finished the English version of our app. Besides the US, there are 74 more countries where English is a de jure or de facto spoken language. With small adjustments, we can use the scale effect and also launch it on one of those markets." Fabian responded, "That idea actually makes me feel better! But Babette, what country will be the best in which to internationalise?" "That Fabian, we will need to find out..." replied Babette.

After the call, Fabian sits down in his office, builds a task force and together they briefly analyse the wealth and migraine prevalence in English-speaking countries. It quickly becomes clear that Canada, the UK, and India are the most interesting markets. To find out which one of these countries is the most suitable, a broad and intensive market analysis would be required. As Fabian is very busy to keep the operations in Germany going, and M-Diary also currently faces financial trouble he decides to consult a team of university students to help him. So, he calls his friend Marcel, who is a professor at HTW Berlin and teaches internationalisation strategy. After explaining the situation to him, he agrees to put Fabian into contact with a group of his best students.

After a couple of E-Mail exchanges with the group, they finally find a common date for their meeting. They meet in the office of M-diary and Fabian explains his priorities for the project: "First of all, thank you very much for taking this project. As you know from our previous exchanges, we really need to internationalise in order to utilise scale effects and earn more revenues. There are two important strategic goals that need to be considered. First of all, so far, we have been differentiating ourselves from other "lifestyle and fitness" apps by obtaining a medical device certificate. It is important, that we internationalise to a country where there is a possibility to get this license.

Furthermore, in most countries, medical devices can get partial, or full reimbursement from the public health system, if they are expected to reduce the costs of treating patients by undergoing an examination called Health Technology Assessment (HTA). This is important because reimbursement would give us access to many customers, and

also our experience from Germany shows that people are reluctant to pay money for an app.”

He further adds: “Of course our priority right now is to get more paying customers, but we are also interested in collecting more data in order to improve our algorithms, so we would appreciate it if you also take this fact into consideration.”

After 40 more minutes, Fabian concludes the meeting: “Again, thank you for taking on the project and we are looking forward to seeing your first results in a couple of weeks.” The students leave the office and start their research the next day.

## Market background

### United Kingdom

The United Kingdom has a GDP per Capita of around \$40,000 (The World Bank, 2017a). Annual GDP per capita growth is 1.63% (The World Bank, 2017b). The average health expenditure per capita is at around \$4,000 (The World Bank, 2016). In the United Kingdom, a high percentage of the population (82%) owns a smartphone (newzoo, 2018). These users spend an average of 3 hours and 23 minutes on their smartphones every day (Code, 2019). Many applications on a smartphone require an Internet connection. The UK, as an industrialised country, is equipped with developed Internet infrastructure so that 90% of its 66 million citizens use the Internet (Office of National Statistics, 2018). Internet users in the UK are generally rather suspicious about how tech companies handle their data privacy, even if the digital environment, the privacy, security, and accountability of businesses and institutions, is more robust than in most other countries on the globe. In a ranking (digital environment) measuring the regulatory quality, governmental use, and transparency of digital technology, the UK scored eighth place worldwide (Chakravorti & Chaturvedi, 2017). In addition, the UK is ranked number 9 in the ease of doing business index in 2019 (The World Bank, 2019).

While the global average of migraine cases settles at around 10% of the population, 17% of UK's population suffers from headache disorders (Stovner et al., 2018). A 2012 economic analysis about the cost of migraine treatment included data from respondents with migraines in the UK, France, Germany, Italy, and Spain. The annual treatment costs per patient were the highest in the UK (for chronic migraine £3718 and for episodic migraine £876) and Spain and lower in France and Germany (Bloudek et al., 2012).

The United Kingdom has a wide-ranging public insurance, led by the National Health Service (NHS), a single, government-controlled agency. The NHS provides a medical app library, but due to its financial difficulties, only allows apps that have proven to significantly reduce costs. Some other apps already managed to be reimbursable by the public health system through a listing within the NHS app library. Some of the supported apps were developed within the frames of a research agreement between the developers and a university (Sensyne Health, 2018; NHS, Oxfordshire Clinical Commissioning Group, 2018). Every resident of the UK is eligible of the insurance which is financed to 80% by taxation. Due to this comprehensive public health system, private insurance coverage in the UK is relatively low.

In order to achieve its strategic preferences, ByeMi first has to obtain market approval as a medical device from the NHS. The next step would be to undergo a health technology assessment (HTA) conducted by the National Institute for Health and Care Excellence (NICE). After that, local health care providers (CCGs), that are responsible for

providing the most needed medical services to the local population, are required by law to purchase and distribute the newly approved medical device.

The problem is, that the HTA and procurement protocols were designed in the past to handle the purchase and supply of tangible goods, such as pharmaceuticals or medical equipment, and are not applicable for intangible goods such as apps and software.

A new and improved HTA procedure is currently under development by the government, but until it's arrival, there is no way to legally oblige any of the 200+ CCGs all over the UK, to provide the app to their patients (ISPOR, 2008; Public Health England, n.d.).

The NHS has issued a five-year forward plan in which it stated that cancer, maternity, mental health, dementia, learning disability, and diabetes are clinical priority areas (NHS, n.d.). Apps which address these issues probably have a good chance of being reimbursed.

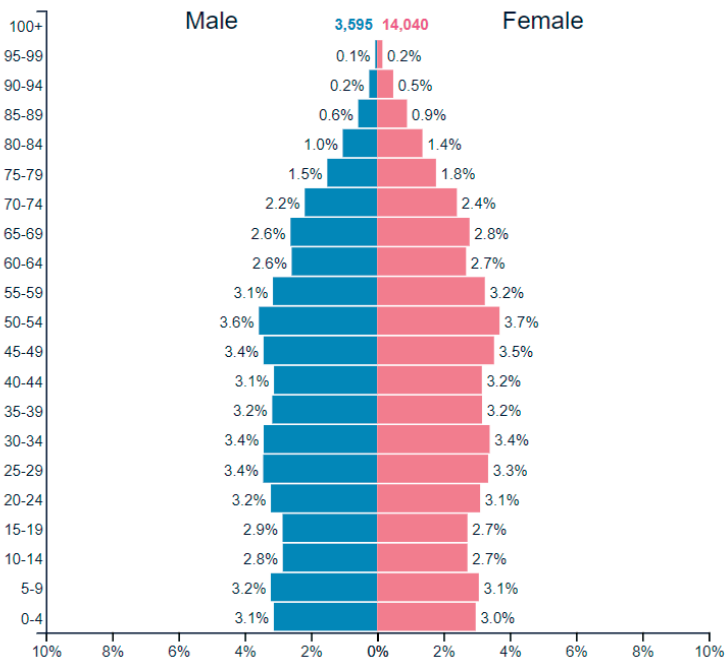


Figure 1: Demographic age distribution in the UK (Populationspyramid.net, n.d.)

## India

The GDP per capita of India is at around \$2000 (The World Bank, 2017c). Annual GDP per Capita growth is at 6% (The World World Bank, 2017d). Current health expenditure per capita is at \$63 (The World Bank, 2016b). In the Republic of India around 27.2% of its 1.3 billion people (Statista, 2019a) own a smartphone (newzoo, 2018) and 39% of the population is able to access the Internet (Statista, 2019b). Indian smartphone users spent an average of 3 hours on their phone (Seetharaman, 2018), which is similar to the usage in Canada and the United Kingdom. The market may grow exponentially in India as the smartphone usage and the Internet access are expected to become more widespread.

Furthermore, the share of the population that speaks English has increased. Around 125 million Indians speak English and it is likely that this number will grow further in the next years (Masani, 2012).

The digital evolution in India, e.g. legal efficiency, transparency of regulation, degree of financial inclusion, and use of digital money is at the lower end. In a worldwide ranking, the country only scores number 53 in this regard. Digital trust (as measured by, e.g. how much they trust tech companies) in India is comparable to the UK and Canada, still, the country ranks below both countries (Chakravorti & Chaturvedi, 2017). Although the current state of becoming active as a business in India is not good, as they currently rank at place 77 in the ease of doing business index, there is a tendency for improvement. For example, in 2018 India was among the Top 10 countries with regards to the improvement of their ease of doing business (The World Bank, 2019). One also needs to take into account that some of the traditional criteria in the ease of doing business index may not be as relevant for the launch of an already existing app.

According to a study around 17.4% of the population in India suffers from migraines (Stovner et al., 2018). Although a significant number of people in India is suffering from migraine headaches, there are no official numbers on treatment cost per patient.

The health care system in India is relatively underdeveloped compared to developed countries in America and Europe. Overall, less than 20% of the population is covered by any form of health insurance. Furthermore, there is a big urban-rural gap in India. The richest 20% of Indians in rural areas have on average a monthly expenditure of €21 per capita, compared to about €41 for urban citizens. For this reason, only the urban population will be covered in the further analysis. However, even the people that belong to the richest 20% of Indians in urban areas, are usually still not insured. The data indicates that, of the richest quintile of the urban population, only 15.1% are covered by government-funded insurance, closely followed by 12.4% in privately-funded insurance. Although between 10% and 20% of the Indian population have some kind of health insurance coverage, the reimbursement rates per hospitalisation visit are very low. On average only 2.9% of hospital visits in the major states in India get either partial or full reimbursement. Which means that most medical expenses are paid out of the pocket. From the non-reimbursed hospital expenditure, around 70% is paid out of household savings. Most of the remaining expenditure is paid with borrowed money. (Government of India, 2015).

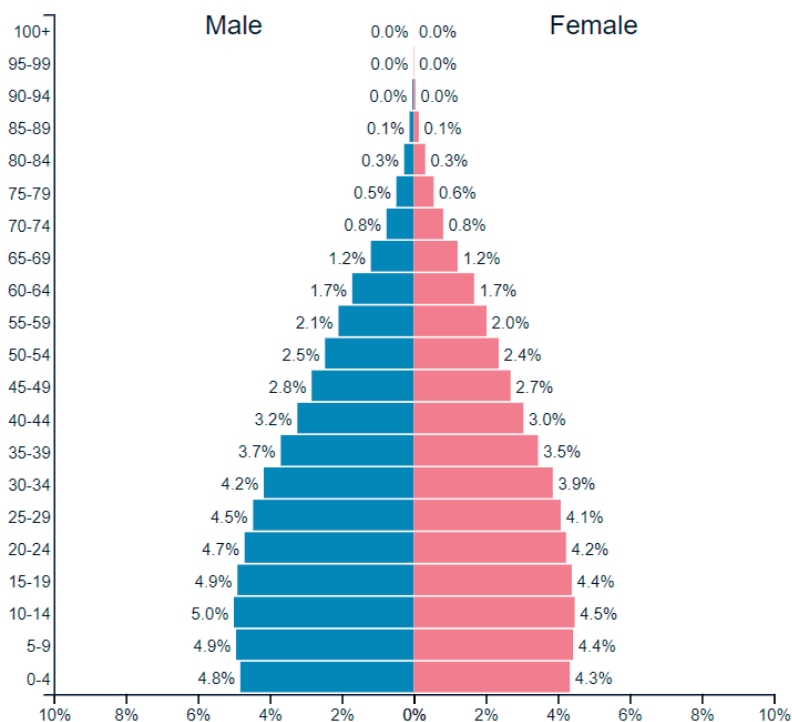


Figure 2: Demographic age distribution in India (Populationspyramid.net, n.d.)

Quintile class of UMPCE	Rural		Urban	
	Lower limit	Upper limit	Lower limit	Upper limit
1	0	10,4	0	15,366
2	10,4	13	15,366	20,8
3	13	16,432	20,8	28,6
4	16,432	21,671	28,6	41,6
5	21,671	-	41,6	

Table 1: Usual monthly per capita consumer expenditure (UMPCE) in € (Government of India, 2015, p.26).

Quintile class of UMPCE	Not covered	Government funded	Employer funded	Privately funded	Others	All
1	91.4	7.7	0.6	0.0	0.2	100
2	87.5	10.6	1.3	0.5	0.2	100
3	84.7	12.9	1.3	1.0	0.1	100
4	79.7	13.5	3.3	3.4	0.1	100
5	66.6	15.1	5.6	12.4	0.3	100
All	82.0	12.0	2.4	3.5	0.2	100
Absolute (all)	366.4 Mio.	53.6 Mio.	10.7 Mio.	15.6 Mio.	0.89 Mio.	447.3 Mio.

Table 2: Percentage of persons having coverage of health expenditure support in urban areas in % (Government of India, 2015, p.27).

## Canada

The GDP per capita of Canada is around \$45,000 (The World Bank, 2017e). The annual per capita GDP growth is 1.8% (The World Bank, 2017f). Average health expenditure per capita is around \$4500 (The World Bank, 2016c). Canada has a population of 37 million people. The country consists of 10 provinces and 3 territories with 86% of the population living in the four most populated provinces: Ontario, Quebec, British Columbia, and Alberta. While the majority of the country speaks English as their first language, 7.2 million Canadians consider French as their mother tongue, and out of that population, 4.1 million speak only French (Statistics Canada, 2016a). Most native speakers of the French language in Canada live in Quebec, where French is the official and majority language (Statistics Canada, 2016b).

Population density is highest in the large and highly developed southern cities such as Toronto, Montreal, Vancouver, and Calgary, and steeply decreases towards the north. The northern parts of the country are practically desolate, with almost no infrastructure, except for some small Inuit (native Canadian) fishing villages, a bunch of well-insulated cabins, and hardly anything else.

Canada is a wealthy, industrialised country with high levels of digitalisation. 72% of the population own a smartphone (newzoo, 2018), and Internet penetration almost covers the entire population 94.7% (Statista, 2019).

Digital trust scores (e.g. transparency of regulation) in Canada are lower than in the UK but higher than in India. Still, the countries are roughly similar in their digital trust. For digital evolution (e.g. institutional environment or access to financial payment options) this differs a little bit. Still, the UK has the highest rank and Canada follows at the 12th position, India is far behind at rank 53 (Chakravorti & Chaturvedi, 2017). With regard to the ease of doing business, Canada ranks number 22 (The World Bank, 2019).

Migraine prevalence is lower than average with only 5.8% percent (Stovner et al., 2018) and the cost burden of chronic treatment amounts to approximately \$1.888 annually per patient (Stokes et al., 2011).

Canada has a mixed health care system with a national public health insurance company, Health Canada, providing essential health care services to all citizens. This is supplemented by private health insurance companies, covering pharmaceuticals, devices, and services not financed by Health Canada. Around 2/3 of Canadians have some form of private health insurance (Allin & Ruoler, n.d.). Generally speaking, public health care in Canada only finances therapeutic devices and services provided inside the walls of hospitals. Out-of-hospital goods and services (such as prescription-free drugs, dental care, transportation to the hospital, etc) are paid by private health insurance, or out-of-pocket.

Market approval procedure for software as a medical device is currently under development. The new law, anticipated to be implemented in its full form in 2 years might include a narrower definition of software as a medical device, which might require ByeMi to include updated features (Husereau, Arshoff, Bhimani, & Allen, 2015).

The reimbursement landscape for public health care is highly decentralized. It is usually left to an individual hospital's discretion to decide whether or not it wants to provide a certain medical device or service to its patients. There are approximately 1.100 hospitals in Canada (Husereau, Arshoff, Bhimani, & Allen, 2015).



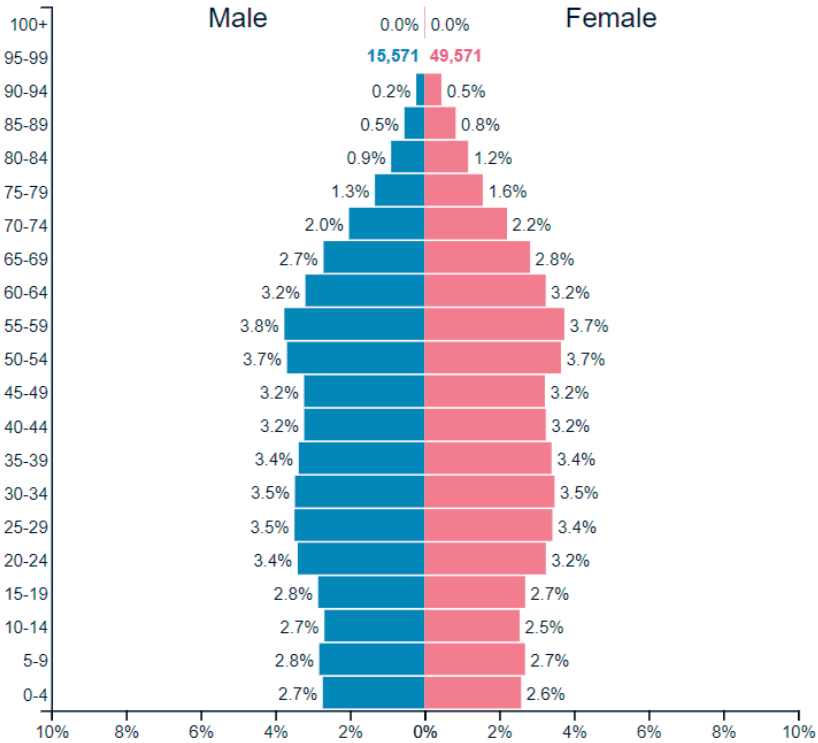


Figure 3: Demographic age distribution in Canada (Populationspyramid.net, n.d.)

## Case Questions

Which country is the most attractive for an internationalisation of M-Diary with its ByeMi app?

1. Apply a PESTLE analysis in order to get a clear picture of the conditions in each country. Focus on relevant factors of the analysis tool.
2. Please analyse and compare the information. In addition, please take into consideration the advantages and disadvantages of each market and give a reasonable recommendation to which country M-Diary should internationalise.

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## Recommended readings

It is recommended to read the respectively cited sources when deeper insights into any information are required. The following sources are especially recommended to have a look at to gain a deeper understanding of the case and a comparison of the three countries.

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## Internationalisation of Nixed

Madlen Fischer, Anna Marie Hubulova, Angela Malai, Juuso Ranne,  
Peter Savovsky and Aleksei Tiutchev



### Introduction

This morning, Ms. Geber woke up from a night with little sleep. She had a vision, but she could not grasp it in her mind. After a creative day she spent at work yesterday, she was left with many ideas and questions. It was not the first, and probably not the last time that she had to explain to a customer that there was no optimal solution she could provide to them. The year of 2017 was a year with many ups and downs in Ms. Geber's business.

### History

Ms. Geber is the CEO of the company Nixed. Nixed is a Berlin-based PR Agency, that has been operating for more than 20 years and has a client portfolio of more than 200 clients of both German and international companies. Among the customers, there are companies like Apple, Telekom, Casio, and Axway. Nixed also works with administrative departments and business development agencies for towns and regions, including cities like Berlin, Dortmund, Leipzig, and Augsburg.

The agency offers a variety of national services such as: public relations with a focus on start-ups and IT companies; content marketing; social media market; corporate design and location marketing. The company is part of the Nixed Group, which specialises in B2B services in the information, technology, and communication fields. Other parts of this group are Nixed's research, software, human resources, and adverts data departments:

Nixed research department: specialised in market research; this department helps companies understand what their customers are looking for; how is their brand seen in comparison to the competitors; and how can they become more successful.

Nixed adverts data: a database containing more than 21 million job adverts every year, updated on a daily basis. The company fetches and collects all the job postings from online job platforms, magazines, newspapers, and company websites.

Nixed software department: provides individual software solutions, CRM systems and solutions for personnel service providers while always having security as a priority.

Nixed HR department: supports customers with everything related to the acquisition of new employees. This department offers not only information, but also advises on how to have a successful HR marketing strategy and to attract the perfect personnel.

The company has more and more customers seeking out opportunities that have not been offered so far by Nixed. A new, arising opportunity is to take its PR abroad with Nixed, alongside the need to internationalise at an increasing pace. The reason for this is that the market for IT companies in Germany is more saturated and its customers were excited about accessing new markets abroad. Ms. Geber has a very good professional relationship with her customers and it is clear that these customers want to work together with her, but she is wondering how she could provide them with what they need.

## Market Environment

Public relations have a 150 years history in Germany, and due to globalisation and a continuous increase in competition, more and more corporations, as well as start-ups, are seeking out PR services to control the way their brand is perceived by customers.

“For many years, PR in Germany has been perceived as non-essential within the marketing mix and not as key factor to business success, but after several CEO communication missteps, PR has gained more acceptance” says Chumket CEO Francis Bearrent (Sudhaman and Hay, 2010). Germany’s PR market is nowadays considered to be the 5th biggest in the world with a constantly increasing number of small and medium-sized agencies. In 2016, PR and communication agencies operating in Germany (approximately 150 agencies) generated fees of EUR 645,44 million. This corresponds to an increase of 4,89 percent compared to the previous year. The number of employees in the agencies also increased in 2016 by 254 (+ 4,24%) reaching a total of 5.985 (Dillmann, 2017). There are also at least three important PR trade bodies in Germany: DPRG - Deutsche Public Relations Gesellschaft; GPRA - Gesellschaft Public Relations Agenturen; and BdP - Bundesverband Deutscher Pressesprecher; all particularly focused on areas like education and ethics.

PR is gaining popularity not only among companies; in fact, the German government is considered one of the key players when it comes to PR spending, even though not the most favourite one among the agencies, since the budget is always limited.

However, there are still numerous challenges for the German PR market. Research shows that around 37 percent of press offices and PR agencies consider gaining credibility and establishing reputation as the biggest challenges of the industry. Recruiting

and retaining skilled and competent personnel is another difficulty faced by PR agencies not only in Germany, but also all over the world. And finally, limited PR budgets and competition from other areas, such as advertising, still represent a daily struggle for most agencies (Statista, 2017).

## Competition

Nixed is facing strong competition, not only on a local, but also on a national level. The biggest player in the German PR industry is Chumket, according to Pfeffers PR ranking. Chumket has more than 100 offices in 70 countries around the world. The company has expertise in areas like brand marketing, corporate communications, healthcare, food and beverages, and technology. It has numerous awards and recognition, which makes Chumket a well-established and therefore strong competitor.

The real competitors for Nixed are however PR agencies that concentrate on the IT industry. AVOCATO is a company based in Cologne with a strong portfolio of IT clients, which operates both nationally and internationally. Black Public Relations is located in Munich and offers its international PR services to companies from all kind of different industries – mainly in the field of technology and travel. Among its clients are tech brands such as: HTC, Skype and Fujitsu.

The list of IT-oriented PR agencies continues; a big number of them have even chosen the same location as Nixed, Berlin. Therefore, for Nixed to stay competitive, Ms. Geber decided to add to its business model something extremely relevant in today's market: international services.

## Characters

### **Ms. Geber**

Ms. Geber joined Nixed two years after the company was founded. At first, she was involved with the business development and various marketing activities in the company. As years went by and Ms. Geber gained more professional experience in the field of PR, her responsibilities in the company significantly increased. In 2010, Ms. Geber, by that time already a highly respected member of German PR industry, was appointed as CEO of Nixed.

Ms. Geber's professionalism and determination made the company an absolute leader in the industry in the German-speaking countries. Even though Ms. Geber was a very successful CEO, she made only the German market as the main target focus for Nixed and for a long time resisted to consider an expansion to the foreign markets. If Nixed's clients, mainly German-based IT start-ups wanted to move abroad, Ms. Geber preferred to step back and just give some general recommendations considering the internationalisation process. Since the recent increase of technology start-ups in Germany, more and more clients chose to internationalise, even when being in the early stage of the business. Ms. Geber, as a highly professional business manager, could not just ignore the trend and lose her client base. The internalisation of Nixed services became her primary goal.

### **Shannon**

Shannon is the head of the PR department of Nixed. She joined Nixed in 2005 and soon became a valuable member of the team. Her professional skills, unstoppable desire to

acquire new knowledge in different areas of the PR industry, accompanied with an open-minded and lateral thinking fascinated Ms. Geber from the first day. Shannon quickly became the right hand of Ms. Geber in all day-to-day activities and in the determination of the company's future. As more clients showed their intentions to move their businesses to the foreign countries, Shannon, a visionary, immediately saw an opportunity for Nixed.

Shannon, is an excellent specialist in PR, but she had been working all of her career within the domestic market and had zero experience in internationalisation. After the consultation with Ms. Geber, Shannon started to do an extensive research regarding the possible ways of internationalisation for Nixed in order to serve the clients with the best possible PR solutions on the global market.

## Aswell IT

One of the Nixed's clients, Aswell IT, is a Berlin-based technological start-up. Aswell IT drove innovation in the areas of digital hearing tests and creating sound processing to people's hearing. The company managed to unite the data of hearing capacity and listening behaviour into a rich ear print. Aswell IT developed an innovative way of listening and is an expert on digital audio. The company tested its product with over a million ears, spent 11 years on R&D and on the breakthrough sound processing technology. Aswell IT now has two medically approved and certified apps for both iOS and Android.

Aswell IT, originally founded in Hannover in 2014, closed a seven-figure seed-funding round in the middle of 2017, one year after relocating to Berlin. Since its founding, the company used PR services provided by Nixed. The two companies established very successful working relationships over the years, and Aswell IT has become a valuable client of Nixed.

After receiving investment funds for the further development, the management of Aswell IT decided to expand to foreign markets. For that purpose the company needed PR services abroad, however, since the workflow between Aswell IT and Nixed had already been established, the management did not want to break up the successful business relationships with the German PR agency. Considering that, Aswell IT asked Nixed to represent the company via PR and related services in the foreign markets.

## The Start of the Internationalisation

On September 20th the telephone in the office of Ms. Geber rang. This was not a regular call from a client. The person on the other side of the line was Mr. Peter Müller, the CEO of Aswell IT. Nixed had been doing various PR services for Aswell IT for several years now, and the business relationships between Ms. Geber and Mr. Müller were an exceptional example to follow. Since Ms. Geber was preparing for a briefing with the students from the local university regarding the PR consultancy, she did not have much time to talk, and they agreed on meeting up at Nixed's headquarters later that day.

Exactly at 17:06 Mr. Müller entered the conference room. Ms. Geber had been already waiting for him. They professionally shook hands and sat in the chairs. Even after all the years of successful work together, they both still liked to follow the unwritten law of business etiquette. Mr. Müller was very happy and eager to share his happiness with the old friend. Aswell IT closed a seven-figure seed-funding round two months ago, and new perspectives for further company development were about to be opened. The company had made a plan for the internationalisation of the firm, which they want-

ed to undertake a few years back but never had the chance due to the lack of funding. When it realised that it did not have problems with funding anymore, the future seemed as bright as the sun.

Mr. Müller shared all the good news regarding the company and kindly asked Ms. Geber if Nixed could represent Aswell IT with all necessary PR services in the foreign countries. The company was considering the USA and UK as its primary markets for internationalisation. Mr. Müller had a business trip a week ago to Silicon Valley, where he had a few meetings with the business executives and investors regarding the subsidiary of Aswell IT to be opened there in November. Moreover, he already had the tickets to London for the next day in his pocket. The USA and UK looked like perfect destinations for the high-tech start-up, however, the management of Aswell IT has also considered several European countries, such as Spain, Italy, and France for the further internalisation steps.

Ms. Geber listened to the ideas of Mr. Müller very carefully and assured him that they would do everything possible to do PR for the company in all countries they would choose to enter in the near future. But after saying that, she realised that neither she, nor anyone else in Nixed knew how to operate in these foreign countries. However, she couldn't say "no" to the business proposal from the most important client that Nixed has ever had.

When Mr. Müller left, Ms. Geber immediately called Shannon and invited her to her office. She explained Mr. Müller's idea and his intentions to expand the businesses to the other countries and asked her to brainstorm all the possible ways Nixed could provide its PR services abroad for Aswell IT and for all the other clients interested in this strategy.

One week later, after an extensive research, Shannon held a meeting with Ms. Geber to discuss all possible solutions. By the end of the meeting, they narrowed down the ideas to three concepts that could be useful depending on the needs of the clients:

- 1) Nixed could use PR services, which distribute press releases and provide other PR solutions;
- 2) Nixed might find freelancers in different countries, who would do PR there;
- 3) Nixed could agree on a partnership with other PR agencies abroad.

Ms. Geber and Shannon also agreed that the most relevant countries for their clients were: The USA, UK, France, Italy, and Spain.

## PR Market Environment

The PR industry is a growing market with high competition. The Internet has changed the ways that companies operate, enabling market research and Big Data for data collection, hence the inevitable input for the creation of successful business strategies. This leads to a constant competition among different PR agencies in terms of internationalisation and customer retention. Therefore, agencies from all over the world have to come up with creative ideas regarding their internationalisation processes.

For now, Nixed focuses only on the German market for its local as well as international customers. However, Ms. Geber has noticed that a perpetually increasing amount of clients were planning to expand their operations abroad. Therefore, Nixed's most important goal is developing the ability to support its clients in an international environment, which can only be possible through the internationalisation of Nixed itself. The international coverage would offer brand new opportunities that can change the growth path of Nixed.



The agency is considering different internationalisation strategies for different markets. Nixed's long-term goal is to successfully establish itself in the international PR environment, in order to further support the current customers while constantly increasing its client portfolio.

## Conclusion

Nixed is a Berlin-based PR company that had been successful for over 20 years, having more than 200 customers in its portfolio. Nixed PR agency helps with the communication strategies in the technology sector and offers location-marketing services to start-ups and SMEs specialised in the IT-sector. It has a broad background in communications, information technology, and design. Nixed worked with big corporations such as Apple, Casio, and O2 and is nowadays considered one of the best agencies in the PR field.

However, more and more of its clients, mainly IT start-ups, started to think about internationalising their operations in countries like the United States of America and European countries, such as the United Kingdom, France, Italy, and Spain. Nixed, on the other side, has no expertise in international PR services yet and is mainly focused on the German-speaking markets. An inquiry from one of the main clients, Aswell IT, to support the company with PR abroad forced Ms. Geber, the CEO of Nixed, to come up with possible ideas for internationalisation.

Ms. Geber and her right-hand Shannon, decided after an extensive research to narrow down the ideas to three concepts that could be useful depending on the needs of its clients. The first idea was that Nixed could use PR services, which distribute press releases and provide other PR solutions. The second idea was that Nixed might find freelancers in different countries who would do PR there. Finally, the last of the opportunities Ms. Geber and Shannon imagined was that Nixed could agree on a partnership with other PR agencies abroad. The solutions regarded by Ms. Geber and Shannon are not exhaustive, as there might also be other ways to internationalise a PR business.

## Case Questions

1. Is it beneficial for Nixed to internationalise at all? Please help Ms. Gerber by identifying strength, weaknesses, threats, and opportunities of an internationalisation approach.
2. Which alternative strategy should Nixed follow? Please explain.

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## Ortostep: Improving Logistics

Ružica Stanić, Dinko Romer, Katarina Fekete, and Mirna Leko Šimić

### Introduction

Ortostep is a family-owned enterprise established in 1982, in Osijek, Croatia. Since its inception, it successfully produces different types of shoes and gained valuable experiences. During the last 15 years, the production of medical shoes produced to accommodate deformities and other foot maladies, has become its core business. Currently, three stores sell Ortostep products in Croatia. One store is located in Osijek and two stores are located in Zagreb. The three main product lines are: orthopaedic footwear, anatomic footwear, and special apparel for medical staff. All three product lines are available in Croatia, but only selected product lines are exported, e.g. the diabetes shoes product line.

Since 2014, the company exports custom-made orthopaedic shoes, for diabetics and cerebral paralysis, to Germany, Austria, and Japan. These markets are large, but the customers also demand a higher quality. Therefore, the company adjusted its production processes. It upgraded its production line and works now with even more refined high-quality materials. Being active in these markets raised the level of know-how substantially and pushed the company to improve its products and processes. A lot of materials, skills, and technologies from the premium individual orthopaedic production are also deployed for the new diabetic shoes collection.

All shoes are handmade, using genuine Italian Nappa leather, and every single component is produced in the European Union (EU). The company is not relying on cheap mass production injection technology for attaching the outsole to the upper shoe but assembles it manually.

### Croatian Market and Industry for Medical Devices

Moreover, Ortostep is not the only company in the Croatian market; main competitors are Otos, Bauerfeind, and Frutti. In addition, there are also different imported anatomical and orthopaedic shoes that are sold in pharmacies. Most of the competitors have a better positioning in the Croatian market due to larger amounts of stores in the main cities. For example, Otos has stores in Osijek, Vinkovci, Sesvete, Zagreb, Rijeka, Slavonski Brod, Virovitica, and Požega. Therefore, it outnumbered Ortostep by six stores. Bauerfeind is not only sold in numerous Dalmatian cities like Dubrovnik, Zadar, Split, Rijeka, and Pula, but also in all main cities like Zagreb, Osijek, Virovitica, Karlovac, Bjelovar, etc.

Frutti is currently only based in Rijeka but it has a noteworthy online store, which is a big advantage.

## Expansion to the Belgian Market

Since the expansion opportunities in Croatia are rather restricted, Ortostep is planning to expand its business to Belgium. The Belgian market for medical devices is not big, but robust. In 2014, the market was valued at USD 2,6 billion. The annual growth rate was approximately 4% in the past and estimations suggest a steady growth at least until 2019. With USD 5,000, healthcare spending per capita is high. Furthermore, Belgium is home to an aging population, 18% of Belgians are over 65. The local healthcare industry is very receptive to innovative technologies that are effective in treating and mitigating chronic and age-related diseases.

Less than 10 percent of medical equipment consumed in the country is also produced there. The medical device manufacturing industry in Belgium employs approximately 18,000 people and almost all domestic manufacturers are small to mid-sized companies. Therefore, an attractive supply chain for foreign firms is already in place. The market remains open for competition among suppliers from the United States, Germany, France, the United Kingdom, and other countries.

Furthermore, Belgium is a distribution centre for many multinationals. Products are imported into Belgium and exported to other European countries. Consequently, the value of the Belgian medical imports is significantly higher than the value of the market itself. This might make Belgium an ideal starting point for further international expansion.

Overall, Belgium seems to be a promising country to export to, due to its openness to procurement, good conditions for foreign suppliers, effective healthcare system, and geographical location.

## Logistics and Distribution

Ortostep's director Kolarić relies on external distributors to transport the products from the warehouse to the customers. Usually, Ortostep hires well-known distributors such as DHL and DPD for transportation services. Often, the customer arranges the transport but that varies from time to time, depending on the specific agreement. When exporting to a foreign country, Kolarić first completes the sale with the customer and decides on the specific incoterms. Afterwards, the transport is being arranged (by the customer or by Ortostep) and the products are on their way. There are many ways to transport goods from one place to another. The common means of transport are by vessel, plane, train, or truck. The mode of transport depends on the type of products being transported and other relevant factors.

Transport by vessel is known to be the least expensive method of shipping goods, but it takes a long time. Bulk products, such as wheat, maize, soy, coal, iron, etc. are usually shipped by vessel, but also larger odd-shaped items including engines and propellers.

Transport by plane serves markets and supply chains that demand speed. In addition, perishable goods, such as food, flowers, and pharmaceuticals are transported by planes. Plane transportation is effective but expensive; and has severe size and weight limitations which need to be considered.

Transport by train is considered as a "green" option. Trains burn less fuel per tonne

mile than road vehicles and a train, which can have up to 100 waggons, only needs one driver. There are, however, some additional costs which are incurred in a rail journey (at each end of the rail transit, a road delivery is needed, as well as a lift cost to transfer the goods between the train and the road vehicle). Generally speaking, railroads are the most efficient form of land transportation as one train can carry more than 400 trucks. On average, longer journeys tend to be less expensive by train, and shorter journeys are less costly by road. The point of cost difference between modes depends on many factors (e.g. route, commodity). As a general rule of thumb, the point of cost difference between train and truck transportation is in-between a distance of 200 to 240 km.

Transport by truck is the most commonly used mode of transportation. This mode is cost effective and quick for short distances. It is easier to track and trace cargo on trucks, it is very flexible, and packing costs are low. It also allows for door-to-door services, if needed. It is possible to combine different modes of transportation (for example: DHL uses train/truck combinations).

Ortostep usually relies on trucks.

## Market Entry

Belgium appears to be an interesting potential market. Ortostep is thinking outside the box and is considering to cooperate with a wholesaler to enter the Belgian market. Wholesalers are acting as intermediaries that buy products or goods in large quantities and resells them to retailers. Usually, wholesalers buy goods from different manufacturers in bulk, divide them into smaller units, hold them in warehouses, and provide quick delivery for their customers. Ortostep is already in contact with the Belgian wholesaler Ortimex and doing business together seems like a viable option for both partners. Ortimex specialises in orthopaedic products, and its customers include experts such as pharmacists, providers of orthopaedic services, home care institutions, and independent caregivers. Ortimex's product range includes curves and orthoses, prosthetics, shoes, skin care products, and baby supplies. With the help of Ortimex, Ortostep could export to the Belgian market and expand its business.

## Challenges

In order to enter the medical equipment market in Belgium, every supplier should be familiar with the EU directives concerning the registration, marketing and health/safety standards required throughout Europe as well as regulations specific to Belgium. It is therefore advisable to work with a local partner/distributor. Since July 1, 2013, the European Directive 2004/18/EC on public procurement applies to all hospitals for the purchase of medicines and medical devices. The directive requires that for purchases over the threshold of €200.000, a European tender should be released and published in the supplement of the official journal of the European Union. Procurements between €85.000 and €200.000 require a tender in Belgium and publication in the official journal. Medical devices, apart from those that are tailor-made or intended for clinical investigation, which are said to satisfy the essential requirements, must bear the CE marking for conformity when marketed. To obtain the export certificate for medical devices, every company must complete the form "Certificate for a Medical Device". The completed form must be sent with the following documents proving the conformity of the product: a declaration of conformity, a copy of the CE certificates, and a copy of the ISO 9000 and EN /ISO 13485 certificates.

## Case Questions

1. One of the 4Ps in Marketing is “place”. Which Croatian competitor might currently have the best logistics cost to revenue ratio due to its location strategy? If you consider logistics costs as the main driver for the “place” decision, which “place” strategy would you prefer?
2. From a logistics perspective, what are advantages and disadvantages of partnering with a (centralised) wholesaler in Belgium compared to cooperating with (decentralised) individual retailers? And how would this effect the transport mode decision?

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## Ortostep goes to Finland

Rita-Krin Boduljak and Mirna Leko Šimić

### Introduction

Ortostep is a Croatian company that was founded in 1982 by Nikola and Elizabeta Kolar-ić. The company started producing belts, leather bags, leather garments, and fashion shoes. Over the years it decided to change its business direction and started to produce orthopaedic footwear. As a result, it was necessary to create a partnership with the most important health insurance companies in Croatia and 7-8 years ago the line of diabetic shoes was produced, although Ortostep does not produce separate insoles. Ortostep exports to countries such as Austria, Germany, and Japan since 2014. The company has three retail units in Croatia, one manufacturing facility in Osijek and it also produces on demand.

Presently, the company has grown into a medium-sized business. The manufacturing facility is located in Osijek and employs about 50 people. It is constantly working on improving and upgrading new lines of diabetic shoes and their adaptation for consumers. The factory is supplying all retail units in Croatia on a regular basis and also depending on demand. Plus, the manufacturing of shoes can be done by specific order since orthopaedic shoes are not standard and customers usually need some additional adaptation.

For more than 15 years, Ortostep has been developing and enhancing its business in the medical footwear market. The first strategic focus was on expanding the Croatian market and improving production processes. Since 2014, the company has begun its expansion into the foreign market. The company's short-term goals are: boosting exports to existing markets and simultaneously increasing sales on the Croatian market. The long-term goal would be further successful expansion into other foreign markets, where they are not yet present including the Finnish market.

### Business & Market Environment

#### **Croatia**

The company is located in Osijek, one of the four largest Croatian cities. Osijek is the largest city in eastern Croatia. In Croatia there are over 4.000.000 inhabitants, in Osijek there are about 72.000 inhabitants. Croatia is a very small country with an area of 56.594 km<sup>2</sup>. Annual growth rate of GDP was 3% last year. When you look at a wider picture

of Croatia, you will see that the current political and economic situation in Croatia is very unfavourable and uncertain for business. However, there is also great potential in this area and the possibility of progress and expansion into other markets. Technology and knowledge are advancing and this greatly helps countries to develop and be more competitive. In addition, new markets are being created for specific niches; medicine will soon develop and improve more than it is now, as we can conclude from many articles and scientific papers. Additionally, the laws are changing, so that health and healthcare are increasingly taken care of. We feel that it is actually an excellent industrial branch for all companies that are involved in or who will be engaged in activities in this branch. Ortostep is faced with a lot of room for further advancement.

Once the home country of the business is analysed, it is also necessary to analyse the country in which an entrepreneur wants to export his products. In the case of Ortostep, the target market is Finland.

## **Finland**

The Republic of Finland is a Nordic country in north-eastern Europe. There are over 5.560.000 inhabitants and the capital city is Helsinki with 629.512 inhabitants. There are about 50.000 people with type 1 diabetes and about 300.000 people with type 2 diabetes in Finland. About 4.000 children under the age of 15 have diabetes. The number of undiagnosed cases of type 2 diabetes is estimated at 150.000.<sup>1</sup>

When we compare the Finnish market to the Croatian market, the difference between the two becomes very apparent. The current political and economic situation in Finland is very well regulated for all companies. There is tremendous potential in this area, which is related to exporting products to this industry, but this is a very expensive process. As their health system is well regulated, we do not believe that major changes will occur. There is a possibility for Ortostep to export to the Finnish market, but it is necessary to make significant investment in the market entry process.

## Potential Customers

Finns appreciate high quality the most, especially in the healthcare industry. Consumers are committed to purchase decisions no matter the price, as they find that this investment could be useful for them and their health.

Another characteristic is durability. Consumers are willing to pay a higher price, but they want a long-lasting product. Also, the weather in Finland is changeable all year round, so they want a quality footwear which is weather resistant.

Finns also appreciate comfort of footwear. Diabetic footwear is very specific and must be comfortable, easy to wear, and adjusted to the foot. The diabetic shoe must match the size of the foot. Besides, the shoe needs to hold enough room for the toes, at the sides and front as well as at the top, so that the pressure of the shoe is not felt.

When it comes to Finland's perception of Croatian products, there is not a lot of information to be found. Most of the products people buy are souvenirs and they are perceived as good quality. Souvenirs that Finns buy the most are handcrafts and art. From accessories, the knits are noteworthy, and leather shoes and other leather products, that are not only of high quality but also of low cost. Jewellery, gold and gemstone jewellery, as well as watches are also quite popular and perceived as reasonably priced. Croatia is also

<sup>1</sup> Statistics Finland ([https://www.stat.fi/tup/suoluk/suoluk\\_vaesto\\_en.html](https://www.stat.fi/tup/suoluk/suoluk_vaesto_en.html))



a valued wine country and many people buy wine from Croatia. But there is no information available about Croatian diabetic shoes on the Finnish market. Consequently, we presume that the Finns are not acquainted with diabetic shoes produced in Croatia. Ortostep does not have not a strong brand awareness in Finland, so no one can guarantee that Finns will recognise and adopt the diabetic shoe line from Ortostep.

The aspect of Finns being highly ethnocentric poses another major obstacle for Ortostep. 37% of Finns strongly prefer local products; older people more than younger. The reasons for such behaviour lie in the perception that domestic goods are of higher quality and in their contribution to employment.

## The Competition

Finland doesn't have a lot of companies that produce diabetic shoes; on the other hand, Finns are very popular for producing orthopaedic shoes. Almost every shoe made in Finland has orthopaedic cartridge, and they are very proud of it. The level of quality is also very high. Research of the Finnish market indicates that they only have foreign producers. Those producers have been present on the Finnish market for so long that people perceive their product as a local, Finnish product. The consumers trust their name, brand, quality, and company. The same or similar products to Ortostep are Lucro by Schein, Dr. Comfort, Pediforma and Nimco made4you.

Only two competitors are shown in the table, as they are the strongest competitors of Ortostep on the Finnish market.

<b>Name of competitors</b>	<b>LucRo</b>	<b>Dr. Comfort</b>
Size	Part of the big company called Schein which offers diabetic shoes to its customers	Contains a wide selection of dressed models, trendy sports shoes, slippers, sandals
USP	Sustainability, convenience, and fit	Availability, fit, and price
Price	200 to 420 euros	45 to 170 euros
Country of origin	Germany	USA
Selling points	Via wholesaler called SchulteBV	Via specialist retailers
Delivery times	4 weeks	3-4 weeks
Sustainability (scale 1-10)	8	3
Advertising	Newsletter Social media	News letter Social media Big marketing campaign after summer via retailers
Product range	4 shoe lines which all have several models	6 lines which all have several models
Own shops in Finland	no	no

## Distribution Channels

Ortostep has the option of choosing two strategies, but which is the better one?

The B2B (Business to Business) option enables Ortostep to win the new market easier and faster because it works with people who already have a lot of experience in the business, but that means less income for the enterprise. Or it can choose B2C (business to customer) which means it needs to open its own store or web shop to reach the end customers, which is, of course, a much more expensive option but could pay off later.

If Ortostep decides to go with the B2B Option, then there are several partnership options for Ortostep in Finland. One of them is to contact the Finnish diabetes association and present its products. If it approves of the product and recommend it on its website, Ortostep then has opened the window for the Finnish market. This is the best option for Ortostep, because its brand is not yet recognised on the Finnish market. After that, Ortostep can easily find potential entry strategy and partners, wholesalers, etc.

But if Ortostep decides on the B2C option, then it will encounter various costs, such as rental costs, employee pay, additional efforts in marketing, product distribution; but of course there is always the eternal question of success and acceptance by the Finns.

## Case Questions

1. What are the obstacles to Ortostep entry into the Finnish market?  
Find out the required information through a SWOT and PEST(EL) analysis.  
Is there a chance for Ortostep diabetic shoes on the Finnish market?  
If you agree, which entry strategy you would recommend for them to use, B2B or B2C and why?
2. Describe the competition for diabetic shoes Ortostep faces in the Finnish market.
3. Do you think Ortostep should decide to enter this market? Explain.

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## A Dream of Safe Railway Systems

Rosa Stottele, Alina Cuznețov, Miriam Müller, Sebastian Götz, Maxi Gerbig and Tine Lehmann

### Introduction

In 2016, a total of 1.787 significant railway accidents were reported in the EU, in which a total of 964 people were killed. Although the number of railway accidents and deaths have been decreasing in the past years, Peter Grüne is certain that there is still a lot of room for improvement.

Peter Grüne is the CEO of Grüne Industry Electronics, a company producing devices managing the electronic potential in railways to avoid erosion, eventually reducing the number of accidents. He believes that railways are the future of transportation and is keen on improving the safety of millions of people and goods transported daily in Europe.

Mr. Grüne has seen what small technical issues can cause. As a young boy he was playing in the garden, as he suddenly heard a loud bang. "What happened?" he said to himself, running out his family's garden towards the sound. From a distance, he already saw the lights of the fire engines that already had arrived at the scene. He saw that a cargo train had derailed, it was lying in the field, train pieces and coal scattered everywhere. "How could that happen?" he said to himself as he was wandering around the scene.

As he approached a fireman and asked, "How could this happen?" the man told the young boy that technical issues had caused the accident. He wondered about how such tiny technical problems can cause the derailment of a huge train. Peter could never really forget the chaotic scene.

He dedicated his professional career to the safety of railways.

He had figured out how to manage the electronic potential, minimising such crashes as he had witnessed as a child and was very happy that he could spread his vision across the German border to Austria and Switzerland. However, he believed his systems were the best ones on the market and thought the full potential of his idea has not been reached.

Peter sat in his office, had a sip of his coffee and stared out of the window with questions floating through his head. "Where should we go next? And how should we do it? Is there even a feasible market for our products?" Peter figured out that it would be reasonable to first take a look into the potential of European countries. To answer all

the other questions, he contacted a consulting firm to discuss the internationalisation process to evaluate the different markets.

## Background

Mr. Grüne founded the company Grüne Industry Electronics in 1972 as a dedicated engineering office. Since the beginning, Grüne Industry Electronics has been active in the field of railway electronics, industry electronics, and software development. The firm designs customer-specific products mainly for measurement and test equipment, as well as specialised electronic controls.

Grüne Industry Electronics focuses on products and services for railways; its solutions for railway systems include maintenance optimisation, such as rolling stock, electric sub-stations, and workshops. Furthermore, it provides safety and measurements systems such as earth potential meters, voltage limiters, cable fault monitoring, and others. Those products are built for disturbed environments, e.g. surroundings that are potentially noisy, very dusty, hot and/or cold, or wet.

Overall, Grüne has successfully developed around 400 systems with over 5.000 installations. Its competitive advantage is know-how. "Based on the mix of relevant and up-to-date know-how, the experience of our experts and the cooperation with our customers, we execute all our projects successfully. At the same time, it is possible to utilise a wide range of standardised solutions." Furthermore, the company has successfully completed projects for some major clients such as Deutsche Bahn and Daimler AG.

## Internationalisation Objectives

Grüne Industry Electronics is a well-established company within Germany with a wide variety of products and services. Apart from some ventures into other German speaking markets (Austria and Switzerland) and some other smaller ones, the company has very limited operating history outside the German borders. Within the next years, the aim of Grüne is to internationalise some of its products for railway systems, in particular the earthing short-circuiter EKS and voltage breakdown fuse monitoring SDS.

As for this project, the firm is only interested in the EU market due to the reasonable small distance and similar economic conditions, as well as culture. Aspects that are relevant for the elaboration of a ranking concept include the political situation in that country, technical restrictions, the competitive situation, as well as marketing and sales potentials.

### Markets

Currently, travelling by rail is perceived as one most environmentally friendly transport modes as it is associated with the lowest contribution to transport emissions of CO<sub>2</sub> and other greenhouse gases (Borken-Kleefeld, Berntsen, Fuglestedt, 2010). Considering the increasing traffic demand and its negative impact on the environment, during the past 25 years, the European Commission has been actively supporting the European rail transport market in order to ensure a competitive position of the rail industry compared to other transportation modes (European Commission, 2018).

In the 2011 White Paper "Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system", the EU set the target of cutting

60% of CO<sub>2</sub> emissions in transport by 2050 (European Commission, 2011). Since rail emits on average 3-4 times less carbon than road or air, a modal shift from road and air to rail is seen as critical for achieving the aforementioned objective.

Therefore, opening up of the national rail industries to cross-border competition within EU together with a wide range of financing opportunities represents strong incentives for companies to seek rail-related projects and transfer their expertise abroad. International cooperation and knowledge sharing are vital for an efficient use of the EU funds (UNIFE, 2015).

Subsequently, 5 countries are proposed for further investigation, as they appear to have the most interesting railway developments or largest railway networks, namely:

1. UK
2. Spain
3. France
4. Poland
5. Czech Republic

### **Internationalisation Criteria**

For Grüne Industry Electronics, not only general railway systems, but also subway and tram systems are of interest. For each of these types the network in kilometres is the most important measure for the company. Furthermore, the entry barriers that could be faced when entering the market are interesting, including the relationship between the country and the German economy, as well as other possible challenges. The investment plans of the country itself are also of interest to Peter Grüne, as most of the railway construction and improvements are paid by governmental contracts.

### **Case Questions**

1. Can you support Peter Grüne's decision making and help him to identify the right market? Choose two of the five countries that are relevant and conduct an external analysis on both markets to come up with a priority.
2. The list of countries Grüne Industry Electronics is interested in also includes the United Kingdom, which is currently in negotiations to leave the European Union. This is commonly known as "Brexit" and could have severe consequences for doing business with UK companies. Should the UK still be considered as a very good target market for the company?

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# INTERNATIONAL ENTREPRENEURSHIP SKILLS EUROPE

## Shovel Bike Parts

Ivona Adrić, Karla Bilandžić, Iva Filipović and Tihana Koprivnjak

### Introduction

Shovel's story starts in 2010 when it began producing high-end products, all of which are made by riders for riders. Its core products are bike components, such as a chain guide. Complex field testing, research and development are behind all of its products. All of this resulted in champion lightweight and advanced design that makes them different. Shovel is very proud of the fact that all of its products are developed and produced in its own workshop in Croatia. The idea behind their products is very simple, just install it and forget about it!

The founder of Shovel is Marko Carević. He is from Đakovo, a city near Osijek, where he decided to establish Shovel. He is an electronics engineer. Before Shovel, he had worked as an engineer for Siemens, at locations worldwide. He produced his first products on the CNC operating machine he had built with his own savings by himself, because he couldn't afford to buy a CNC operating machine. He sold bike parts on the Internet and found his first customers on a forum for bike enthusiasts, such as himself. After a while, he had already been recognised for the quality of his products. Bikers from Croatia, as well as international ones, loved the ease of installing his products on bikes, which, on top of that, are lightweight and of excellent quality. Demand grew rapidly, so he decided to find a new location and increase the production.

Marko has earned several recognitions and won competitions in Croatia with his products, such as: the best innovating entrepreneur and the first place at the Entrepreneurial Accelerator Camp.

In the previous year, the firm had several partners, Giant, Maxxis, and Nightfox. Today, Shovel has dealers and distributors all over the world: Croatia, Australia, Canada, Germany, New Zealand, Switzerland, United Kingdom, and the USA. Its base is in Osijek and it is still a micro business, with growing income.

Marko spent his last vacation biking in Finland and was fascinated with the biking culture and infrastructure in Finland. He is now considering entering the Finnish market.

## Business & Market Environment

Cycling in Croatia has become increasingly popular over the course of the last ten years. Cycling is a widespread activity as a means of sport and recreation, as well as transport, especially in cities where there are more and more people using it almost all year round.

According to the data of the Central Bureau of Statistics, in 2016, exactly 102.201 bicycles were imported into Croatia. Given that more serious production in Croatia is lacking, this data could also be taken as orientation information on the number of new bikes sold in the country. The total value of these imports, including bicycles with auxiliary engines (12.260 pieces), was 16,2 million euros or 122 million Kuna.

Most bikes in Croatia came from Italy, 17.909 pieces, worth 1,8 million euros and then from Slovenia, 13.087 pieces worth two million euros. Perhaps these facts are somewhat surprising, as it is commonly believed that bicycles are mostly manufactured in China or Taiwan. This has changed considerably after Croatia joined the European Union, which placed high taxes on bicycles coming from outside the Union, trying to develop the bicycle industry. So today, bikes that are sold in the EU countries, are mostly being produced in the EU as well. In 2016, 3.138 bicycles from China were imported into Croatia. Most bikes with an auxiliary engine came to Croatia from Austria, 10.122 worth 1,2 million euros.

Cycling is a developing trend in Osijek, which has significantly contributed to the expansion of the bicycle route network. It is normal for people to see bicycles being ridden practically all year round today and bicycles are now sold throughout the year. Ten or more years ago, whenever autumn was coming, almost all bicycle sales would cease.

According to the official site for cycling in Croatia, people will find a huge variety of ideal trails for everyone's taste, amateur or professional, from the macadam field trials ideal for mountain bikes to the asphalted roads for family sightseeing. You can even challenge your own limits and get excited reviving the five stages of the Tour of Croatia. Means of public transport that accept bikes are trains, boats (ferries), and river ferries, and it is also possible to transport bikes by airplane and bus. Croatia is integrated in the EuroVelo network of cycling routes which connects the European continent. Within the EuroVelo network there are 15 cycling routes over 42 European countries with more than 70.000 planned kilometres by the time the network will be fully completed in 2020. There are 111 cycling clubs registered with the Croatian Cycling Federation.

Because of its flat relief, Osijek is one of the best cycling market centres in Croatia. There are about ten bicycle shops in Osijek (Extreme Sport, Tom.os, Protea-sport, Bikea, Jog Joma), and retailers in these stores estimate that, on average, they sell some ten thousand bicycles in Osijek annually. On average, the most of bicycles sold fall within the 200 to 500 euro price range. In Osijek, not only the citizens of this city buy bike parts and bikes, but also the people from a wider surrounding area. This data indicates that alongside with selling bicycles, shops also have a good deal of business connected to service workshops.

## Finnish Mountain Biking Products Market Needs and Characteristics

Before saying something more about the market of these products, it is necessary to get familiar with the mountain biking market in general. The terrains of Finland are good for mountain biking and good places to go biking are various national parks, nature trails, and bike parks across the country. In the high season, there are many different mountain biking events organised. The season for mountain biking in Finland



is between April and October, which is also the period when most mountain biking products are being sold. Downhill biking is practiced mostly during summertime as many skiing centres are preparing for downhill biking during that period. However, mountain biking is practiced all around the country, as forests and other suitable turfs can be found pretty much anywhere. Many clubs organise meetings where participants get together and go for a ride. Furthermore, about this market, average prices of mountain bikes sold in professional bike stores have increased. Hobbyists prefer buying higher quality mountain bikes. A mountain bike is a relatively expensive one-time purchase. A bicycle costing 1.000-3.000 euros requires a great commitment to the hobby. In Finland, the price of a mountain bike depends on the type and purpose of the bike (professional or recreational). The price range is wide and bike prices vary between 200 and 10.000 euros. A new high-quality mountain bike costs from 800 to 1.000 euros. Expenses also arise from the purchase of equipment such as helmets, cycling shoes, bike parts, cycling shirt and pants, elbow and knee pads, etc. Costs may also arise from different event fees and bike maintenance.

Finns appreciate *high quality* the most, because bicycle-related purchases are considered to be long-term, sometimes one-time, purchases that are high in value. Consumers are committed to purchase decisions no matter the price, as they find that this investment could be useful for many years. Another characteristic is *durability*. In Finland, weather conditions change all year round so they need a product that will endure both summer and winter conditions for dozens of years. Today, almost a million Finns are actively engaged in cycling. Most cycling takes place in cities like Turku and Helsinki and therefore they prefer bicycles suitable for urban terrain, although many people use mountain bikes in cities too. Finns involved in mountain biking find *weight* to be one of the most important characteristics and prefer bike parts that will not add unnecessary weight to their bikes. 37% of Finns almost always or mostly prefer domestic goods, older population more so than young population. The reasons for such behaviour lie in the perception that domestic goods are of high quality and in their contribution to employment. Talking about competition, the biggest names are: Shaman Racing, E\*thirteen, and Praxis.

## Shaman Racing

This producer of the Graft Lite Chain Guide (71 euros/107g) and Drake Lite Chain Guide (107 euros/175g) is from the Czech Republic. It started its business in 1998 and since has been supporting top class riders, like 4X World champion Michal Prokop. There is a 2-year warranty and 30 days return policy for its products if bought online. From a brief analysis it can be concluded that its prices are lower than the Shovel's, but the products are heavier.

## E\*thirteen - producer of various chain guides

This is a small rider-owned business that has started with business in 2001 and they say that 'the world's fastest riders have been winning world championships equipped with e\*thirteen's dependable, lightweight chain guides. 4 Its best chain guide has a price of 199 euros and the best chain ring is priced at 109 euros. There is no data about the weight of products on its website, so a comparison cannot be made. In any case, the products are much more expensive in general.

c) Praxis

It all started in 2007 when well-known bicycle industry veteran David Earle set out to create a different kind of a bicycle component company. Its chain guides are cheaper (52 euros or less), but that may suggest lower quality. On the other hand, its chain rings are more expensive (the best product costs 100 euros) than Shovel's chain rings. There is no data about the weight of products on its website.

## Logistics and Distribution

From the Finnish perspective, it depends a lot on the volume of product distribution planned and actually achieved. Shovel should begin with a distributor first and later invest in its own sales channel, but only if the market turns out to be big enough. Both variable and fixed costs may be high in Finland and without proper success, having its own sales channel may end up being unprofitable. There are two ways of distribution: web shops and retail shops. Retailers like Bikester, Motonet, Baiks, Biltema, and Fill-arifoorumi are popular among enthusiasts who buy their fancy bikes and parts from e-shops abroad. They are known to spend thousands of euros on their beloved hobby. The best possible retailers for these parts might be Baiks because it does business all over Finland; Bikester only does retail but is well known among users; and Mountain Bike Shop, located only in Helsinki, yet is popular all over the country among enthusiasts due to its great e-shopping possibilities.

In the context of distribution, there are several partnership options in Finland. These partners could be bike or sport boutiques (which are privately owned because they are able to add different types of products to their selection). A good example is Pyörä-Nurmi 12 from Rauma, Finland. There are many professional and amateur bikers in Finland who would be interested in these types of products. Shovel could send samples to some cycling clubs, so the bikers could get in touch with Shovel in the future and initiate word of mouth marketing. There are also biking events like GoExpo 14 or Tahko MTB 15 and competition events that would be great places to introduce Shovel's products. These events are a perfect source of the right target group for their products.

## Market Entry

In Finland, the popularity of mountain biking is steadily increasing. People use bicycles for sports, free time, and as a general means of transport, such as biking to work. Although one million Finns use them for general purposes, there are still about 100,000 people engaged specifically in mountain biking or its subgroups. It was found that this hobby is enjoyed by various age groups regardless of gender. However, in 2013 it was labelled as a mainly male sport. Back then, 90% percent of enthusiasts were men, but women's interest in this sport has grown regardless of those previous circumstances.

There are many possibilities for mountain biking in Finland. The terrains are good for mountain biking and good places to go biking are various national parks, nature trails and bike parks across the country. In the high season, there are many different mountain biking events organised.

There is a growing interest in Finnish culture and the Nordic social model in Croatia. In 2014, a Croatia-Finland club was set up to increase inter-country relations.

The bilateral agreements between Finland and Croatia are:

Agreement on Visa Waiver, this means that entry and stay in Finland is easier than before, more precisely, only a personal ID is required to enter the country.

Agreement on Mutual Promotion and Protection of Investments, trade and investment for Croatian business entities in Finland is easier than before, and there are also government incentives and protection of investments. There is no fear of unfair investment relations, with the European Court of Justice in charge of respecting the rules.

Agreement on International Road Transport, this regulation is important for transporting products from Croatia to Finland. Everything goes according to the same rules that apply to the whole European Union. According to this, transport of Shovel's products should go without further checks if all the necessary documents exist.

Agreement for the Avoidance of Double Taxation on Income and Capital, this is perhaps the most important agreement for exporters. All tax rates are those prescribed by the EU, they do not have to worry about double taxation. Thanks to this agreement, Shovel will not lose price competitiveness against competition in Finland because of taxes.

Mutual Protection of Classified Information Agreement, in business dealings between Croatia and Finland, both countries can be assured that the data of their citizens and businesses will be respected and kept confidential and unused.

The best way to reach consumers are:

Fillari-lehti (biking magazine) is the most effective way to communicate with customers and to spread the word about Shovel among users;

Internet forums;

Social media; most companies working in Finland have their own Facebook accounts, where they actively post news about products/personnel/goals, etc. Some companies use different competitive strategies, such as giving out prizes, gifts, or hosting competitions on their Facebook pages, which can get a lot of likes for the site and more recognition, or new possible customers.

Potential partners are biking events like GoExpo (an event where outside sport lovers can showcase their products to customers directly and was attended by 40.000 people in 2016.) or Tahko MTB (mountain biking competition), and competition events that would be great places to introduce Shovel's products. These events are a perfect source of the right target group for its products.

## Challenges

The main challenge when trying to assess the potential customer group was the fact that mountain bikers cannot be reached as a group, because it is a sport of individuals. They could be reached through some clubs or associations, as most active hobbyists and competitors are members of such. The Cycling Union of Finland (SPU) has 140 member societies. The most difficult types of mountain bikers to reach are hobbyists that are not competing, are not members of any cycling union or society, nor are active in any type of social media.

The same or similar products to Shovel's are made by e\*thirteen, absoluteBLACK, Race Face, Shimano, SRAM, FSA, and Truvativ. Most of the competitors also have some or somewhat different types of chain guides and chain rings, as well as other products for bikes. The most affordable chain rings are offered by FSA and AbsoluteBlack. The lowest price of the chain guide is also offered by AbsoluteBlack, while FSA doesn't offer that product on its web page. Taking everything into account, AbsoluteBlack is the biggest competitor in terms of price.

Products prices relevant to Shovel's range as stated:

Chain guides from €33 to €105;

Chain rings from €16 to €100;

Tacos from €27 to €33;

Sliders from €17 to €25.

When it comes to choosing over a foreign distribution channel or its own, Shovel has to choose wisely. Both variable and fixed costs may be high for giving its own sales channel in Finland and without proper success, having it may end up being unprofitable.

A mountain bike is a relatively expensive one-time purchase. A bicycle costing 1.000-3.000 euros requires a great commitment to the hobby. In Finland, the price of a mountain bike depends on the type and purpose of the bike (professional or recreational). The price range is wide and bike prices vary between 200 and 10.000 euros. A new high-quality mountain bike costs from 800 to 1.000 euros. Expenses also arise from the purchase of equipment such as helmets, cycling shoes, bike parts, cycling shirt and pants, elbow and knee pads, etc. Costs may also arise from different event fees and bike maintenance.

Competitions require a license and may include insurance. The insurance makes the license more expensive. The price of the license also depends on the competitor's age and status and extent of the license. The price of the license varies between 15 and 360 euros.

## Case Questions

1. What are the key characteristics that make the Finnish market a favourable one for the entrance with Shovel's products? What are the biggest obstacles for Shovel's entrance to Finland? Please help Marko to understand all aspects of the Finnish market and create a SWOT analysis of Shovel's market entry to Finland.
2. Develop an internationalisation Strategy for Shovel.

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## Superbottles: Internationalisation into BeNeLux

Anne Ruokolainen, Elitza Hristova, Michael Benkovich, Mila Petkova,  
Ropafadzo Murombo and Wellney Yarra

### Introduction

Fact: 35 million plastic bottles end up in the ocean every year.

Just like anyone else in Vienna, Freddy and Patrick used to be regular consumers of plastic bottled water. It seemed harmless, and convenient. You buy a bottle of water when you are thirsty, and throw it away when you are done, and by placing it in a trash can, you are fulfilling your responsibility as a good citizen...but are you really?

It is one thing to prevent pollution on the streets. Putting trash in the trash can, especially if you live in a country where the trash is separated, seems like you are doing a great job in being a friend of the environment. What we do not consider, though, is that even once you have thrown away your plastic bottle, it can still end up in the wrong place. We focus on answering the question “Did I dispose of my plastic correctly?”, when it really should be “Should we be using plastic to begin with?”

1 million plastic bottles are purchased every minute worldwide, and this contributes to the 8 million tons of plastic that are dumped into our oceans every year. This is extremely harmful and even fatal for the marine flora and fauna. Plastic harnesses in the ocean can constrict movement for sea life, killing them through starvation, exhaustion, or infections of deep wounds. In the fall of 1982, a humpback whale was tangled in a plastic net, washed up on a Cape Cod beach, starving, with its ribs showing and died within a couple of hours. This, is the result of the detrimental action of regularly consuming bottled water.

Freddy and Patrick realised that they too were a part of the problem and decided to stop consuming bottled water. This was not enough. They needed to find a way to encourage everyone around them to do the same, and thus “Superbottles” was born. They decided to sell a sustainable reusable glass water bottle, and made it particularly stylish, to provoke people to think of sustainable products in a different light. This was the birth of Superbottles and the company initially sold them to friends and family in Vienna, and eventually moved to Germany, with its headquarters being in Berlin. Fast forward 5 years, it wanted to spread the product, along with its message, to other countries as well, thus it began looking for successful internationalisation strategies into gaining strong presence in foreign markets, particularly in the BeNeLux region.

## Company Background

When Superbottles started operating in Vienna in 2012, it was only selling small amounts of bottles through friends and acquaintances. After the word got around and people were becoming familiar with the product, the demand soon grew. The founders realised that moving to Berlin and establishing a company there would be more beneficial for several reasons: the costs of starting a company are lower in Germany and the shipping costs are lower as well compared to Austria. In 2013, Superbottles started operating as a GmbH (incorporated company) and focused primarily on sales in the German and Austrian market, with some sales in Switzerland as well. The advantage of targeting the DACH region was that the same packaging and marketing materials can be used without any adaptation. The company's core values were built on sustainability and being environmentally friendly. Patrick and Freddy also believed in implementing healthy employment practices. Superbottles is guided by these core values in deciding which retailers to partner with.

## Organisational Structure

The company operates through a system of holacracy, which involves having several self-managed teams, as opposed to traditional organisational hierarchy. Members of each team are free to organise their day-to-day activities as they please and work at the times that are most convenient for them, as long as they get their work done. In general, Superbottles is interested in hiring people who are passionate about the cause as opposed to people who are interested in fast career trajectories and high earning potential. The company also believes in a principle of 'low hanging fruit' whereby it chooses to implement strategies that require the least amount of investment or effort and involve the least risk first, before moving onto the more complex ones. This principle should be taken into consideration in all proposed suggestions for the best way for the company to internationalise.

The company operates from one office in Berlin, where all 30 employees are based. The bottles are manufactured in Germany and then shipped to the warehouse in Berlin where the team then adds the designs and the necessary accessories. In the warehouse is where orders are processed, packaged, and shipped out. All employees can be equally involved in their office jobs and in the warehouse. There is room to increase capacity of production by simply hiring more people.

## Sales Channels

The main sales channel was the company's website, and at the same time, new retailers were contacting the company and requesting to sell the bottles in their stores. However, many retailers remained sceptical about Superbottles' success. They were not convinced that their customers would be interested in a not-yet-established brand with a relatively high price tag for a water bottle. Nonetheless, Superbottles stayed on the scene by maintaining steady sales levels and by participating in international trade fairs. More and more retailers were becoming aware of the brand, and by 2015, after realising that the company was there to stay, orders from retailers grew further. During that time, Superbottles has made first attempts to internationalise into Denmark which will be discussed further later on in this case.

The company also has growing B2B sales, where it customises bottles with companies' logos, and can also personalise them to include names. These bottles are usually either purchased by companies for their employees, or as corporate gifts for clients. While Superbottles has had some big companies as clients, there is much room for growth in Business to Business sales.

## Product

The bottle is a transparent glass bottle which comes with a variety of stylish designs and several colours to choose from for the lid and the rubber seal. It is 100% plastic free, BPA free, and made without any animal products. The glass however is not 100% recyclable. There are two size options, 0,6 Litres and 1,0 Litres, which are priced at €24,90 and €32,90 respectively. This is comparatively pricey for a bottle, as there are alternative sustainable water bottles available from about €8. However, €1 from each bottle sold is donated to the 'Trinkwasser Projekt', which is an initiative that builds wells in areas where people do not have access to clean water. The transparency makes it easier to always make sure the bottle is clean, but the glass makes the bottle considerably heavy. It is still considered to be a very stylish option, with many seasonal designs being released, and there are many accompanying accessories available for purchase.

## Current Marketing Strategy

Superbottles mainly sells through its website online and by conducting lead research and engaging retailers as distributors. As for promotion, the company mainly utilises social media. The company can be currently found on six different social media channels, i.e. Twitter, Facebook, Google+, Pinterest, YouTube, and Instagram. It is very active on Instagram, with new posts every week and a following base of more than 8.300 followers. Posts on Superbottles' Instagram also garner a lot of likes, with each post getting around 150-350 likes on average. Facebook is Superbottles' second strongest channel; although it has more followers on Facebook (almost 22.000) than Instagram, the engagement is much lower, with only 10-80 likes per post. Superbottles is less active on Twitter, with less than 1.000 tweets since joining in 2011, although some tweets are still posted occasionally, mostly to raise awareness about the importance of glass bottles, water crisis, etc. Communication on these platforms is mostly in German.

Superbottles is not very active on the other 3 channels, Google +, Pinterest and YouTube, and engagement is also very low on these platforms. It is not present at all on LinkedIn, which is a great platform to reach potential B2B customers. In addition, the company has not yet explored the opportunities that exist in influencer marketing (affiliate marketing). There is room to discover who the current influencers and bloggers are in the markets Superbottles is interested in, find the most appropriate ones, and possibly engage them.

## Internationalisation

As mentioned earlier, as the company gained popularity with retailers in 2015, it decided to internationalise. The company aimed to expand its sales to more European countries, starting with Denmark. The good quality of tap water and the shared border with Germany made Denmark a promising destination for exporting Superbottles' products. The sales turnover in Denmark were unfortunately not as expected. Several

Danish retailers have started to sell Superbottles, but many others, and customers as well, were not that keen on purchasing a new and unfamiliar brand. According to a research by the company's marketing department, an average customer needs to experience seven contacts with the product before deciding to purchase it. The exposure of Superbottles in the new market was just not sufficient, and extensive marketing activities by the company were too costly to manage.

## Decision to Enter BeNeLux

After searching for further internationalisation opportunities, Superbottles has decided that the next ideal destination for the company's expansion would be the BeNeLux region, consisting of three countries that share a border with Germany: Belgium, The Netherlands and Luxembourg. This region has several clear advantages that offer a good starting point and an ideal environment for the introduction of a product like Superbottles. Firstly, the geographic proximity to Germany and the fact that all three countries are part of the European Union ensures minimal shipping costs and low export tariffs. Secondly, the relatively high standard of living in BeNeLux leads to a high purchasing power, which is above the European average for all three countries. Due to this economic stability, potential customers in BeNeLux would be able to afford Superbottles at its current price level. Another significant advantage is the high-quality tap water in the region, which is essential for the product's success. Finally, according to public surveys that were conducted in past years, the awareness towards environmental issues has been increasing among the consumers in BeNeLux, encouraging them to seek more sustainable products. Since sustainability is the main focus of Superbottles, the increasing demand for environmental-friendly products in BeNeLux provides an ideal platform for introducing a sustainable glass drinking bottle.

At the same time, there are some limiting factors in the BeNeLux market that might prevent Superbottles from getting its desired market share. There are overall five languages spoken in the BeNeLux area, the most popular ones being French and Dutch. Although a certain percentage does speak German as a second language, and most Dutch people speak English fluently, packaging and marketing materials will need to be adapted to local languages in order to appeal to a larger customer range. This adaptation will naturally require more resources, including hiring French and Dutch speaking employees. Another issue might be the already-established local competitors who offer similar products. One competitor that is worth mentioning is the Dutch "dopper" brand. Although made of plastic, this BPA-free environment-friendly bottle is extremely popular in The Netherlands. It is locally produced, has a lower price tag and a lighter weight than the Superbottles. The dominance of the dopper brand and its high market share in The Netherlands would present a significant challenge for new entrants into the sustainable water bottle market.

Superbottles is now at a point where the company is expecting to internationalise in order to expand its business and to open up to new markets. At the same time, it needs to plan its steps carefully based on the lessons it has learned from the relatively unsuccessful attempt in Denmark. Being a small company, Superbottles' resources are limited and that is a major constraint, especially when it comes to minimising the marketing expenses. The internationalisation process should be planned carefully in order to achieve high exposure using available channels, but with the use of as few resources as possible.



## Engaging a Consulting Team

Freddy and Patrick aimed to spread Superbottles around the world by encouraging more people to use one glass bottle instead of thousands of plastic ones, so they had to start somewhere. As previously mentioned, they decided to expand initially into the BeNeLux market, including Belgium, the Netherlands and Luxembourg. In order to ensure the success of their initiative, they needed more help. The company hired a consulting team, which had the task to help it internationalise. In order to do that, the consulting team had to be acquainted with Superbottles' main activities, values, and day-to-day work. Next, the consulting team had to conduct in-depth research on the three potential target markets in order to find out whether all of them are equally attractive for Superbottles. Before the consultants could proceed, they had to come up with a set of criteria in order to assess the attractiveness of the BeNeLux countries. In order to do so, they made use of existing theoretical tools for external analysis. Due to the time and financial constraints, results of the research were mostly gained via literature and internet research.

The next step which followed was to assess which market entry mode would be most appropriate with respect to the target market. When it comes to internationalisation, there are a number of entry modes, depending on what the company is striving for and given the available sources it can invest for that initiative. Based on their academic knowledge gained throughout the course of their studies, the team members analysed the available market entry modes and narrowed them down for the case of Superbottles and came up with various suggestions.

**Scenario 1. Exporting** – Superbottles internalises the exporting process and takes the entire responsibility of selling its products in the BeNeLux market. This can be done via direct or indirect export. The company could do that by establishing a new department, specialising only in exporting.

**Scenario 2. Licensing** – Superbottles agrees to give another company in the BeNeLux market the rights to use its patent and sell its products in exchange for a royalty/other form of incentives.

**Scenario 3. Equity Joint Venture** – Superbottles merges with another company from Belgium/the Netherlands/Luxembourg and both companies will share profits and equal span of control.

**Scenario 4. Wholly Owned Subsidiary (Greenfield)** – Superbottles establishes an entirely new company in the BeNeLux market and sells its products there via the new subsidiary.

Each entry mode for expansion entails different advantages, such as flexibility, minimal resource requirements or risk minimisation, depending on the entry mode. Using the information about Superbottles, the consulting team needs to decide on the best entry modes into Belgium, Netherlands and/or Luxembourg. All recommendations need to factor in the essence of Superbottles, such as core values, organisational structure, size, the principle of low hanging fruit, and limited resources and budget to execute this internationalisation.

## Case Questions

1. Which market entry strategy would you, as a consulting team, recommend to Superbottles? Explain your decision.
2. No entry strategy is without costs and risks. Please analyse and inform Superbottles about potential transaction costs and principal agent risks of your chosen (in question 1) market entry strategy.

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## VandeStreek

### Internationalisation into Croatia

Thomas Gelissen, Niklas Weißer, Marsha Bashkeeva and  
Menno de Lind van Wijngaarden

#### Introduction

Our main goal is to have fun! – Ronald van de Streek (Owner/Founder of Vandestreek Brewery)

Who doesn't like to have fun on the job every day? Ronald, one of the owners of VandeStreek, a craft beer brewery in the north of the city of Utrecht, does exactly this and has made it an explicit goal.

Just like most students during their studies, the two brothers Ronald and Sander Van de Streek were regular consumers of beer. With an innate curiosity and a talent for tasting, they started brewing their own beer. Since then, they fell in love with experimenting with ingredients to make new recipes. A serious hobby was born.

As the saying goes: Make your hobby your job and you never have to work a day in your life, the brothers followed suit and founded their own brewery in 2015. Their homemade beer was very popular and it became a central part of their life. With the help of family and friends, the two founded a craft beer brewery in the north of Utrecht, the Netherlands. Since they love putting their name on everything they can, VandeStreek, their surname, was the best naming option for their company. Not only because of this, but rather due to their goal as a craft beer brewery. "Van de Streek" is freely translated to "from the region". A fitting name for a craft beer brewery who wants to be especially known by the people in Utrecht and produce for Utrecht. Since the start, their main goal was to make beer for the people of Utrecht. After they were allowed to promote a number of beers at the Utrechts Bierbrouwers festival in 2013, they founded the brewery. Now they could fully expand their dreams, beliefs, and values of beer making.

"Beer is Music. Every beer is an art form and has a special song and story." Ronald van de Streek

With many creations of different beers, it landed a huge success with its Playground Non-alcoholic IPA in the market, which was sold out within 1 day. This resulted in increasing its production and creating more beers overall. Today it has over 21 different beers in its quite extensive assortment; from Triples, Blondes to Stouts and IPAs. All different and influenced by new ideas, changes and seasons.

The two brothers are the main decision-makers and they see a big opportunity in exporting their beer. Due to the increase in production in early 2019, they have enough capacity to increase sales in different countries and this could serve to spread the risks by stabilising the overall sales and not being dependent on one country. Currently, they are successful in selling in the United Kingdom. Vandestreek wants to grow, but at the same time keep on having fun. It asks the help of students to achieve its goals. Having been students themselves (Ronald studied commerce) the brothers want to offer students the opportunity to learn and to gain new fresh insights from the new generation.

## Company Background

VandeStreek is a craft beer brewery. As they are proud of themselves and like their name, they like to put VandeStreek on everything they can. Its headquarters and production place are combined and located at the north of Utrecht, Ontario Dreef 43, 3565 BC Utrecht. Its website states: "We brew because we enjoy it. The best thing there is: creating taste without making concessions. Superfresh IPAs, popping stouts, creamy tripels – our beers are modern, full of flavour and challenging. Always top quality, because we don't do it for anything less. We want to let as many people as possible enjoy this, because our beer is brewed for drinking." Its vision and goals help this company to move forward and with the needs of the consumer while having fun. That is nothing which is recommended by a consulting firm, this is how a craft beer company and its spirit should be.

### History

The Van de Streek brothers started brewing as a hobby after his brother received a brew bag for his birthday, as at age 16 you are legally able to drink beer in the Netherlands. (Now it is 18) Later, in their student flat in Kanaleineiland and later in the house in Lombok, they started with 20 litres and later increasing to 50 litres per batch. The hobby brewers did it without any commercial ambitions just for fun and with this love, they planted the foundation of knowledge and recipe building. Later in 2015 the company VandeStreek b.v. was founded and quickly gained success. In 2016, both brothers start working full time in the brewery to cope with the demand. With their aims on the flavours and ingredients and not on the alcohol itself, they created their own beer production with their own designs. While producing the Playground series, they started adding the first employee which works full time for them. In 2017 all machines, tanks, and the bottling line were delivered. Within 5 weeks in March, the brewery ran and produced one of its biggest players, the non-alcoholic Playground IPA. In 2018, they experimented more and found the first collaborations with, for example, their beer called, "Body and Soul" brewed in collaboration with 57 breweries around the country, helping the Dutch ALS Charity (VandeStreek, 2018).

### The Firm Today

Today VandeStreek has a production line with every part of brewing. Six different-sized tanks and one big filling tank makes sure that VandeStreek meets its needed capacity. In addition, it uses energy management for heated tanks, in order to lower the energy consumption of the production line; meaning, a heat exchanger within the heating production process. Today it has 18 people connected to the company. Since the company is very small the organisational structure is very flat, and all the people work directly together under one big team. VandeStreek currently possesses a 5000-hl capacity with

a growth strategy of doubling the production capacity in the coming months of 2019. Within 6 to 8 weeks it can create a single product from the development phase until it is bottled and sold. Today it has a broad basic product portfolio with six beers consisting of a Blonde, IPA, Triple, Saison, Stout and its most famous beer, the nonalcoholic IPA. Besides these core beers, it has four seasonal and 19 special beers. Soon, VandeStreek will open its own tasting room which is located at its brewery. Here, customers can get the opportunity to taste every craft beer VandeStreek brews. The company has evolved fast and is still growing today (VandeStreek, 2018).

## Characters

Ronald Van de Streek is together with his brother Sander, the owners and CEO of VandeStreek. Sander is concerned with the brewery production process and Ronald is focussed on the commercial activities. Ronald is a very passionate and driven man. Ronald knows everything about craft beer and the brewing process. He finds beer brewing a type of art and does everything he can to produce the best tasting craft beer possible. Together with his team, he wishes to have a lot of fun during work. While operating in this business he can achieve this wish as long as the company is stable, and they can do what they like best which is brewing beer. Ronald is the decision-maker in the company. He decides everything that is important on the day-to-day business. The thing is, he tries to involve his employees as much as possible. For example, if a new concept of a craft beer is introduced, he decides what kind of flavour the beer should have. He does not order his employees on how to make this taste of beer. He just says: I want this taste, please. Then the production team go to work. To keep it exciting the production team can decide on their own how to brew the beer. It is their responsibility as long as the beer tastes as Ronald requested. Managing like this keeps the employees motivated because they get the freedom to do things they think works. This is a very important feature of Ronald and shows he is a good manager.

Being a good manager is important but there is also a downside. Ronald is in charge of the whole process of VandeStreek. When an important decision has to be made, for example, expanding to other markets, good research is necessary. This research is very time consuming and a busy man like Ronald doesn't have time for this. As much as he likes to do everything himself, he needs some help with running his business.

## The Whole Story

### Actions the company has taken so far

The company is situated in the outskirts of Utrecht in an industrial area. From the outside, besides its logo, you could hardly tell there is a craft brewery located behind the nondescript façade. Inside, it has one production line where every phase of the brewing process can take place. It has six different-sized tanks and one big filling tank, to fill the bottles or cans. Currently, it is selling the beers in the



Ronald van de Streek

UK, Belgium, and of course in the Netherlands. It is willing to look for opportunities to sell beers internationally while remaining a local brewer with a focus on Utrecht. In the Netherlands, it is looking forward to beer festivals for further promotion for its brand. Additionally, around Utrecht, it has contracts with bars, shops, and supermarkets, for instance, Albert Hein or Jumbo.

### The situation faced by the company

The company as it is today has very good sales with its non-alcoholic Playground IPA; which makes around 50% of its current sales. With the help of its designers and employees, the company is also able to invent and produce new tastes and styles of beer. The production process and its contracts enable it to be flexible, therefore it only needs to sell more types and volumes of beer. In Utrecht, there are fierce competitors like DeLeckere, Maximus, or Oproer, who are as big or bigger than VandeStreek but in the same craft beer market. In order to understand the situation faced by the company, we need to understand in which field they operate and what some of its competitors are.

DeLeckere is a craft beer brewery which started in 1997 in Utrecht. It calls itself a typical Utrecht craft beer and is brewed all organic. It has a wide range of craft beer and produces a pilsner. It focuses on its whole production process being sustainable. DeLeckere is being sold at the same places as VandeStreek, like in the supermarket, cafés, restaurants, and liquor stores around Utrecht and beyond. The difference is the amount of beer it is selling. DeLeckere is producing more than VandeStreek and is being sold in more places.

Maximus Brewery is a craft beer brewer in Leidscherijn, which is near to the Utrecht city centre. It is founded by three friends, who wanted to brew their own craft beer. It is producing and selling 10 different draft beers at the moment and the type of beers varies the whole year. Maximus beers are being sold in restaurants, bars, and retail. It also has a tasting room like De Leckere. This tasting room can also be hired for parties and other occasions. It is also used for a place to give workshops.

Oproer brewery is a young brewery, which is producing craft beer since 2016. Oproer is a merger between the Rooie dop and RUIG. The focus of Oproer is being sustainable. It wants a low impact on the environment and this is its value. It also collaborates with breweries all over the world to achieve the best taste of the beer. For example, it exported its beer to the USA, but it did not like the environmental impact it had. Therefore, they now started to produce some beer locally in Oregon, USA. Oproer also has its own restaurant where people can have something to eat with their freshly-brewed beer.



VandeStreek is battling with all the competitors in this market, therefore the market is fierce and hard even though the craft beer market is booming. Selling more beers internationally could help VandeStreek escape the local competition. Ronald wants to look for markets where there is a recent growth of craft

beer. Belgium and Germany are deemed not interesting, although there is high beer consumption. These are established markets and the deposit system in Germany on



glass bottles, makes it too complicated and not worth the risk. Ronald has heard about Croatia, it is a new craft beer market and might be interesting for VandeStreek.

## Croatia:

The situation in Croatia is different because a new market creates new opportunities and risks. The main focus is the craft beer trend too because, based on the history of the country, the markets have developed differently. Besides the normal beer, the consideration of current or coming trends is of utmost importance. The non-alcoholic and the tourism part have their own worlds with rules and information. Therefore, VandeStreek needs to acquire the correct information for it to attack or to enter. Finding it is not an easy task at all.

## What is the core business problem?

VandeStreek itself right now doesn't have a problem internally, it only has the problem of how to improve as best as possible while holding on to its values and plans. These two sides are important facts which enable the company to build a believable brand and enables it to be competitive on the market because it distinguishes itself by being real. The craft beer market is booming, and therefore, first the company has to compare and beat several competitors on the market, bringing new people to its brand and binding them. Since it is small, it simply can't spend much on advertising, the beer has to do the job. When the newly won customer likes the beer and can identify themselves with that brand and its core values, then it will be successful. It is difficult in another country where the brand is not known, and the market is different than in the Netherlands. Entering a new market with this size of a company in this market proves to be a challenge for everyone, but in the end, offers great opportunities.

## Conclusion:

Now you have read the whole story it is your job to help Ronald Van de Streek. VandeStreek has the capacity to grow, it can supply more beer than there is demand now. This is something Ronald is not comfortable with. Once you're on the top of your production capacity you can work the most efficiently. This is something Ronald strives for. In order to grow the demand, there has to be new markets found. Ronald eyes have fallen on Croatia. This beautiful country has a growing craft beer market. It also benefits from a large tourism industry, which also consumes a lot of beer. It sounds like a perfect opportunity to export its beer and grow the demand. The problem is, Ronald cannot just go to some Croatian bars or wholesaler and order them to sell his beer. There has to be some good research done in order to make the right decision. How should VandeStreek enter the Croatian market? What are the trends in the craft beer market in Croatia? Is there some fierce competition like VandeStreek has over here? What are the brand-building opportunities and are there any opportunities for VandeStreek's non-alcoholic craft beer in Croatia? All these questions need to be answered before Ronald can decide whether to enter the market or not. Ronald and his team do not have the time to do this research and they reached for you to help them. You have to find out if Croatia is a good option for VandeStreek in which to export its craft beer. If you succeed, you help Ronald to fulfil his greatest wish, which is to keep having fun in brewing the best craft beer possible.

In order to summarise the situation, the story about VandeStreek seems simple but when you look at it a second time it gets more detailed and complex. This interesting and booming craft beer brewery has very good roots and a story you can identify with yourself. Every student who likes to drink beer and to taste something different



is immediately interested, especially in the location, its huge portfolio of products, but especially in its attitude. We want to have fun. This is also a task for yourself, having fun helping a company who has fun. The firm today with its two founders in the middle, especially Ronald, who is connected to this project, want help from you. The challenges lay in complex entrepreneurial thinking because you have to take in a lot of information. In terms of production, personnel, logistics, and competitors, VandeStreek has a lot to cope and to fight with. Still growing, new opportunities arise if you look at different countries like Croatia. It can massively help VandeStreek to sell a higher volume and create a better brand image over the borders while helping itself by having more fun.

The founders of VandeStreek want to grow and are looking beyond the borders. Since they are already quite successful in the United Kingdom they have decided to go beyond and search for other partners in different countries who can be interesting. The company hired a consulting team which has the task to help them internationalise. In order to do that, the consulting team had to be acquainted with its main activities, values, and day-to-day work. Next, the consulting team will help VandeStreek's process of expansion via research and assessment of the appropriate internationalisation strategies. The team's mission is to come up with the most suitable strategy and information for the company's internationalisation strategy.

The next step which follows is the research on possible internationalisation strategies and which information in which quality and quantity to deliver. Due to time and financial constraints, results of the research come via literature, field research, and internet research. When it comes to internationalisation, there are several numbers of entry modes. This will have a huge impact on which mode VandeStreek chooses, a deep analysis is important. Based on the academic knowledge gained throughout the course of studies, the team members should analyse the available internationalisation and export strategies, based on the interview with the CEO, and narrow them down for the case of VandeStreek and come up with various questions.

## Case Questions

1: What should its export plan look like?

Due to the fact that VandeStreek is a small company, there is not a logistics system available. Therefore, partners are inevitable, which ones to choose and how to improve is important to answer.

2: What is important about the country of Croatia?

Croatia has a lot to offer, but since its entry to the European Union in 2013, a lot of change is occurring; especially as the market is not developed as the Netherlands. Therefore, we need to find out the most important facts and figured or cultural differences.

3: What trends exist in Croatia?

Croatia possesses beautiful places and has a beer culture of its own, but how it is developing in the next years is especially for VandeStreek important. Trends like non-alcoholic beer or beer consumption in tourism need to be considered.

4: What type of partnership could VandeStreek use?

Is VandeStreek looking to export on its own, or does it want to get into a close partnership with another craft brewer from the Netherlands or maybe in Croatia itself? Considering the current situation, which information does it need to decide this?

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