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Frigoair GmbH International Expansion: Introduction of fresh organic ginger into the German Market

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November, 2021



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Acknowledgements

The conclusion of this master thesis represents the end of my academic path and the achievement of a great personal goal. So I would like to thank the contribution to the people who accompanied and helped me through this process

I would like to start thanking my family, specially my parents for all the support and encouragement they gave me in the most difficult times and for allowing me to pursue my goals and dreams in life

I would like to demonstrate all my appreciation to Natasa Znidarsic and Brett Medina since this dissertation is only possible due to their availability to receive me in the company and share all the company information due to this project is based on my personal experience during my professional period of work as a sales and procurement manager.

Also, a special word to professor Antonio Robaldo who assisted me during this process and gave me the opportunity to developed this subject

Abstract

For decades, small and medium-sized firms (SMEs) have been a prominent research topic in the field of international expansion. Going international is a company strategy that involves making products and services as adaptable as feasible in order to successfully join diverse national markets.

Expansion of companies into new markets or expansion of market share in current ones are a vital part in the life cycle of companies. Even if the company is small, getting the opportunity to land into a new territory is a decision that must be part of the strategy at some point.

Knowing the capacities and attributes of the products and having success in current markets can give some confidence in taking into consideration to explore other cities or countries. This document's purpose is to give some key resources for a more efficient landing into a new market, in this case getting into the Retail distribution.

The entrance strategy employed by Frigoair GmbH will be thoroughly discussed and explained in this thesis, allowing readers to completely comprehend the procedures performed and the conclusions to be reached.

Finally, we will discuss the adaptation made at the product level, the distribution channels used, the pricing strategy and the promotional activities involved. In the future, the expected outcome is to link these recommendations to potential new developments that will enable the company to offer not only additional products but also a whole supplying solution and all activities necessary for its best working performance

Keywords: Expansion, Entering Strategy, SMEs, Motivations

JEL classification: F230 Multinational Firms; International Business; M160 International Business Administration

Sumário

Nas últimas décadas, as pequenas e médias empresas (PMEs) têm sido um tópico de pesquisa proeminente no campo da expansão internacional. A internacionalização é uma estratégia da empresa que envolve tornar os produtos e serviços tão adaptáveis quanto possível, de forma a integrar com sucesso os diversos mercados nacionais.

Conhecer as suas capacidades e atributos dos produtos ou serviços e ter sucesso nos mercados atuais pode dar alguma confiança para explorar outras cidades ou países. O objetivo deste documento é fornecer alguns recursos-chave para uma entrada mais eficiente em um novo mercado, neste caso, entrar na distribuição de varejo.

A estratégia de entrada empregada pela Frigoair GmbH será amplamente discutida e explicada nesta tese, permitindo aos leitores compreender completamente os procedimentos realizados e as conclusões a serem alcançadas. Além da estratégia de entrada, todos os recursos essenciais serão examinados na preparação e no desenvolvimento do mercado de varejo alemão.

Por fim, discutiremos a adaptação feita ao nível do produto, os canais de distribuição utilizados, a estratégia de preços e a área promocional envolvida. No futuro, o resultado esperado é vincular essas recomendações a novos desenvolvimentos potenciais que permitirão à empresa oferecer não apenas produtos adicionais, mas também uma solução completa de fornecimento e todas as atividades necessárias para seu melhor desempenho.

Palavras-chave: Expansão, Estratégia de Entrada, PMEs, Motivações

Classificação JEL: F230 Multinacional Firms; International Business; M160 International Business Administration

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Introduction

The introduction will present the background of our study and the purpose of this in company project. Then we will discuss how the analysis will be conducted and how the structure will be presented.

Executive Summary

With the rise of global warming and environmental conservatism in the twenty-first century, industrialized farming techniques began to attract greater criticism. Today, there is a growing tendency around the world to return to historic organic farming practices in order to better the environment and maybe alleviate health hazards linked with conventional farming. The year is 2021, and the Peruvian government has made sustainable and nutritious food production a top priority.

It is to be expected that, given the current pandemic scenario due to covid.19 that is experienced in the world and that implies confinement, whether voluntary or forced, people will opt for natural remedies and that is where the main character of this thesis takes places, the Peruvian ginger has a differential advantage.

This product, which is grown almost entirely in Junín, a city located in the peruvian jungle, has been in greater demand thanks to its anti-inflammatory and antioxidant properties. Compared to the Chinese, Indian or Thai ginger, the Peruvian ginger stands out for being more aromatic and having a more intense flavor. It is a product that is differentiated by its better organoleptic attributes and that is a certified organic product. The company which is object of this study is located in Junín city, in the jungle of Peru, which is the area with the most ginger producers in the country.

To explore and enter a new market is a quite complex decision, even for companies that have a mature experience in the international trade.

In the beginning of its operations, Frigoair GmbH, which was created in 2019, started outsourcing the production buying from certified organic packers in Peru in order to comply with the deliveries for the Supermarkets.

The company intends to increase the volume sales within the German Retail Market since they have established a very good reputation for great service and quality. The objective relied

primarily on three pillars: the creation of an international business, the building of its own packing facilities and buying of its own lands to grow organic ginger and eventually other products.

The general objective of the study consisted in the elaboration of an international plan for the production, commercialization and distribution of fresh organic ginger in the German Market focusing in *the B2B context*

This thesis revolves around general consumer behavior and attitude towards fresh organic consumption in Germany, focusing in the specific context under Covid -19 influence. since the demand of this product has increased lately.

My personal motivation for carrying out this plan is my current position of sales & procurement manager that I was hired for. Besides that, Frigo Air GmbH has its own packing facilities for the production in Peru and the advantage over other companies in the sector since they have own distribution point facilities in Germany.

Frigoair GmbH with Natasa Znidarsic in charge of the company is an example of success amongst German small medium – sized enterprises in the agribusiness industry. The goal in this work is to give an example of all the challenges faced through the internationalization process behind Frigoair GmbH successful entry and whole supplying strategy, plus all the steps taken by the managers to prepare it.

Problem Definition

Currently, we live in a global world and internationalization is the key for the companies' development and success in almost every industry.

This Master Thesis is written in the format of a business project since it was developed in a German company and, therefore, focuses on its specific context. The analysis of this information is based on my personal experience during this professional period of work as a sales & procurement manager

Frigoair GmbH is an example of the challenge to develop an international strategy. The goal of this project is to understand the reasons behind the success. Some suggestions will be made at the end to improve the current strategy

The main subjects to be address are:

- Market Definition
- Select Entering Strategy
- Product adaptation / improvement
- Key success factors

Chapter 1: Literature Review – SMEs Internationalization

In this chapter, I will begin presenting the main concepts of Internationalization plus other important definitions related to this process and the main reasons to do it.

The three theories will be supplemented and analysed by me. Because these theories appear to be the most prominent and useful in understanding the internationalization process of these types of organizations, I have picked the Uppsala Model, Network Approach, and Born Globals.

1.1 Internationalization Definition

When organizations began structuring cross-border relations inside market economies in the 1920s, the word "internationalization" was coined. Previous internationalization research has focused solely on major corporations. Researchers have realized the need to uncover elements involved in the growth and internalization process of SMEs in the previous several decades, after realizing the importance of SMEs in any country's economy.

Internationalization is “the process of adapting firms, operations, strategy, structure, resource, etc to international environments “(Calof and Beamish ,1995) and the result of this adaption is new opportunities which is the goal of any company.

Buckley (1998) argued that the major reason for adopting a broader definition of internationalization is because in the dynamics of international trade, both sides of the process (inward and outside) have grown more strongly connected. According to Hollensen (2011) which had the most simply definition, this process is the result of the expansion of business activities and resources into foreign market.

These concepts are presented at a general level, there are some characteristics that only involve internationalization of Small and Medium Enterprise (SME's). According to the researches , there is many concepts that characterizes SMEs such as size , profit , capital , market , turnovers and number of employees .

However in this particular case, I will highlight the definitions used by the European Commission (2005, p.5) enterprises with less than 250 employees and less than EUR 50 million annual turnover or EUR 43 million balance sheet total

It is obvious that during this era, various advantages and disadvantages for SMEs in the global market emerge. On the one hand, the advantages of smallness, flexibility, and quick response to changes may provide SMEs with distinct paths in the globalization process, while on the other hand, the disadvantages of size may provide SMEs with alternative paths in the globalization process (Ensari and Karabay, 2014).

1.2 Internalization of SME's in Europe

Europeanization is a term that started back in 1970s which means the process of developing in time. It seems to be the European Union's response to the ongoing processes, between globalization and regionalization, and it is always linked to the creation of favourable conditions for business growth in the European union (Daszkiewicz & Wach, 2012).

SME's must be internationally competitive in order to succeed in international markets. German SMEs that operate effectively on global markets perceive their strengths in innovative goods, high quality, and integrated services.

SME's have played a significant part in global economies for the past three decades. They apparently took over in terms of employment and job creation in recent years. Furthermore, SMEs are dynamic and adaptable, allowing them to rapidly respond to volatile and unpredictable economic conditions.

SMEs must recognize that, as a result of globalization, worldwide competition is unavoidable even in home markets, according to the European Parliament (2012). That is why SMEs are no longer protected from foreign competition in their home markets.

Cause of intense competition and globalization of economy, the companies need to find new ways to keep on the market and sustain their competitiveness, and one of these ways is the internationalization process which is not only for SMEs but also applies for large enterprises

1.3 Characteristics of SMEs

According to the researchers, SMEs have a more flexible working environment than other bureaucratic organizations, which allows senior management to develop strong personal relations with staff.

According to Holland (2011), these are the characteristics of SMEs:

a. Organization: the employees of SMEs are really close to the entrepreneur/owner/manager of the firm. They are easily influenced by this actor.

b. Risk taking: can happen in instances where the company's existence is in danger or where major competition is undermining their operations. The entrepreneur or management team takes a risk while making decisions because they lack experience or information about overseas markets.

c. Flexibility: the communication between SMEs and their consumers allows them to respond to client needs faster and more flexibly.

1.4 Reason for the SME to Internationalize

There must be a mixture of many reasons to be considered when going into new markets but besides that there should be a determinant factor behind the decision. According to (Hollensen, 2011) , the reasons why the companies go abroad can be classified in two main categories.

Chart 1-Major Motives for starting to export

Proactive motives	Reactive Motives
Profit and growth goals	Competitive Pressures
Managerial Urge	Domestic Market: small and saturated
Technological competence / unique product	Overproduction /excess capacity
Foreign market opportunities / market information	Unsolicited foreign orders
Economies of scale	Extend sales of seasonal products
Tax Benefits	Proximity to international customers / psychological distance

Proactive Motivations

When Hollensen (2011) talks about proactive motivations, he means putting in place a new strategic business plan in order to investigate new market opportunities. These organizations move abroad because they have made the decision to do so; their motivations are as follows:

Profits and Growth Goals

When SMEs are in initial stage of exporting, the desire to have more profit is very strong. The stronger the motivation to grow, the greater will be the activities they do.

Managerial Urge

These reflects the attitude of the general managers towards internalization and explore new markets. Actually, the mind-set of the managers play a very important role

Technology Competence and Unique Product

The companies that produce superior foods and have technological advantage can be very competitive abroad, providing sustainable solutions. In this particular case, the taste and particular characteristic of the Peruvian ginger makes it to be recognized in the German market over the Chinese.

Foreign Market Opportunity/Market Information

The bond created by the trading between emerging countries and also economic developed countries is often seen as an opportunity. Besides that, the study and knowledge of the market is also a stimulus for firms to internationalize. It is very important to have good sources of information and these include not only clients, but also suppliers, partners and competitors.

This information can be gained by any source, news, literature, results from past companies' efforts or gained by real contact during business trips.

Economies of Scale

Being part of a global economy, in this case to outsource the production can be seen as a possibility to reduce the cost, be competitive and a good way to approach the markets.

Tax benefits

Only in some cases, foreign markets offer tax benefits to international companies who wish to start operations there.

Reactive Motivations

Companies that react to changes and pressures imposed by the environment, according to Hollensen (2011), are defined by this type of motivation. These companies go abroad because it is what they must do, not because it is something they want to do.

Competitive Pressures.

Because of competitive pressures, industries may be scared of losing the local market to competitors who have benefited from economies of scale, or they may be afraid of losing the overseas market to competitors who are already interested in these areas. This is an important feature that encourages internationalization.

Domestic Market: Small and Saturated

The saturated domestic market, which is dependent on market share volume linked to sales, requires an organization to expand overseas in order to extend the product life cycle and the firm as a whole. Certain products may be on the decline in their local market, but they can thrive in international markets.

Overproduction and Excess Capacity.

The external market is a new flow that can be used for the products in stock, if there is no potential to sell in local market, this is a big motivation to look for sales in foreign countries. When it comes to excess capacity, it is just the export of the excess inventory.

Unsolicited Foreign Order

These new requests come usually from trade fairs as a first approach to new developments and create awareness in foreign market. Many SME's exporting adventures start with this.

Extend Sales of Seasonal Products.

This can result in a stable demand over the year since certain products have a different seasonal sale period that change from country to country, especially for the trading in the fresh products industry

Proximity to International Customers/Psychological Distance.

This motive plays an important role. In Europe, countries are very close to each other and it is easier to explore or expand sales considering this aspect. German companies, especially in the Nord Rhein – Westfalen region, like Frigoair GmbH, are a good example because of their strategic location. As they are very close to Netherland, Belgium, France, Austria, and Nordic Countries, this gives the advantage for supplying clients from these countries

Psychological closeness is not the motivation for Frigoair Organic Production Peru to enter to Germany since the geographic distance is far away.

1.5 Entry modes to Foreign Markets

The managers have to do 3 basic decisions when consider going abroad (Hill, 2007)

- Which Market: do a study of the target market, compare between advantages and risk.
- When: the timing when a firm has the necessary knowledge and resources to go international. They can be classified as first movers or later entrants; both have benefits and risks. First movers can have high cost due to they are the pioneers. On the other hand, later entrants can avoid risk while copying the first movers but they will have more competition in the target market.
- The Scale: a company can choose between small scale or large scale. In a small scale, the firm learns from the market compared to entering at a large scale that involves rapid entry and use of more resources.

After these three main considerations, the way of entrance has to be decided. According to Hill (2007, p. 486-497)), there are six ways to entry a foreign market. The best option depends on the company, since there is no right or wrong way. All of them will be mentioned and analysed below.

Exporting

This is the first step when a company wants to go globally. The organization manufactures the goods outside of the host country, which they then import. It has the lower risk, and it is the most commonly used because of lack of resources (Dalli, 1995). Although this has advantages and disadvantages such as avoiding high cost for establishing a manufacture and on the other side high cost on transportation (Hill, 2007). The export mode is often preferred by SMEs with small capital resources.

Turnkey projects

This is frequently viewed as a means of transferring knowledge to other countries. For example, a corporation may have the necessary resources for production but lacks the technological know-how. The operating employees are given "training" in this situation, and the result is a plant that is "fully operational."

This type is common for expensive and complex production technology industries for example metal, refining industry, petroleum, chemical, etc.

Licensing

Firms do not sell their product by themselves. It is an agreement in which an intangible property is negotiated. In this agreement the licensor gives the right over intangible property such as patent, inventions, formulas, processes, design, copyright and trademarks to the licensee for a certain amount of money and period of time (Hill 2007).

The advantage of the licensing system, according to Kotler & Keller (2006), is the risk-free entry into the international market. This strategy, however, is risky since if the license is revoked, the company faces a possible competition in the new market. Lindh (Lindh, 2009)

Franchising

It is considered a variation of licensing modes. In comparison, this entry mode involves long-term commitments, whereas licensing involves short term.

According to Johansson, 2006), the franchisor provides market services, training for employees, advertisement, etc. in order to keep the reputation of the brand and in exchange they receive fees and royalty percentage from his franchisee. Quality control is one of the problems

when using franchising, since the customers expect the same service in different parts of the world.

Joint Ventures

This is a partnership between two or more companies in order to collaborate and work together. Both of them agree to have revenues, cost and control of the new firm. However, sometimes because of culture differences, possible conflicts of interest are one of the disadvantages.

One important feature made by Kotler & Keller (2006) is that, a joint venture is established when one of the companies has limited resources to invest, low market knowledge or if it is a requirement in the host country.

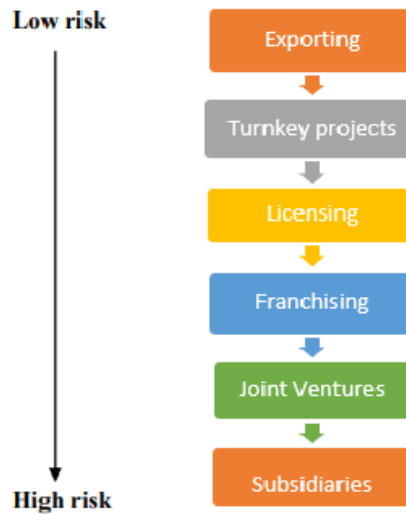
Wholly Own Subsidiaries

In this type, the wholly subsidiary has 100 percent of the stock and there is a considerable investment. There are two different ways: one is by setting up a new operation in the host country and the other one is to buy on firm already established and use it to market and sell the product (Hill, 2007). This is the maximum level of the internalization of a company to the global market (Sidoryuk, 2006).

When there is full investment in a manufacturing subsidiary even if it is construction or acquiring it is called Green Field Investments. One of the advantages is that gives the firm full control on its own operations.

If the SME is more risk adverse, as shown in figure 1, exporting is the greatest option to break into the market. Exporting requires a low level of commitment, risk, and control, but it also provides incentive to understand more about the industry. To summarize, the market entry decision-making process is greatly dependent on the type of organization and the expectations/goals associated with this decision. (Hollensen ,2011)

Figure 1- Risk averse degress of different entry modes



1.6 Theories of Internalization

1.6.1 The Uppsala Internationalization Model

This model was developed by Johanson, Wiedersheim-Paul and Vahlne (1975, 1977) and states that the companies develop their international operations in small steps, as a gradual learning through experiences gained from foreign markets. At the beginning, the SMEs formalize their entry dealing with intermediaries or exporting via an agent, then Sales subsidiaries can follow exporting.

Companies can also use the entry modes such as joint ventures, licensing, franchising, depending on the nature of the firm. The last step into the chain is wholly owned subsidiaries. By adding the knowledge from previous abroad experiences, the companies can make the process easier and result in accurate decisions for the internalization process (Laghzaoui, 2009).

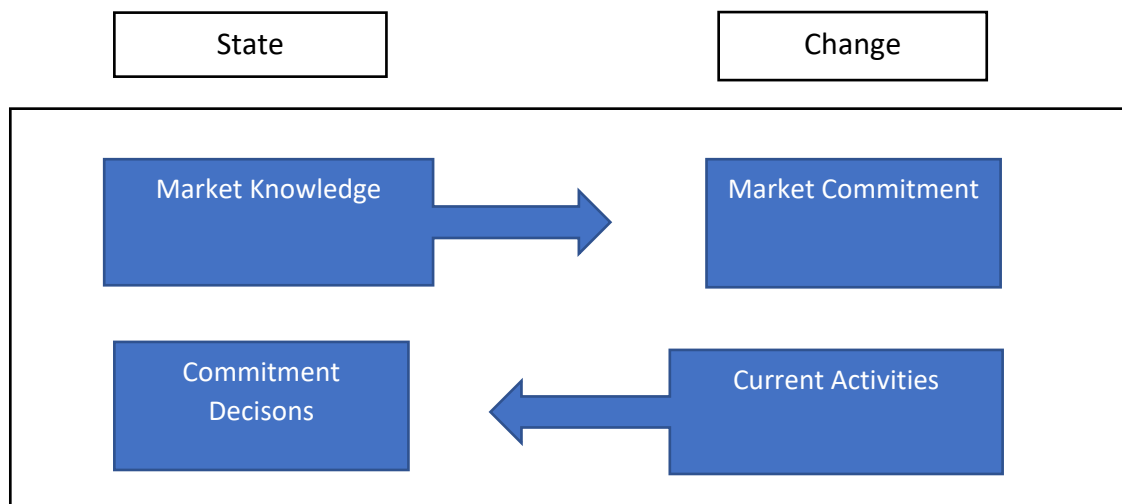
Figure 2-Uppsala Model Process



The concept of psychic distance is also stated in this approach. Companies are expected to examine local markets with low psychic distance initially, according to Johanson and Vahlne (1977). In this way, the smaller the psychic distance, the lesser the liability of foreignness. Only after gaining more knowledge of the foreign market and gain some experience, will the firms enter to countries with a greater psychic distance. This knowledge is divided in general and specific - market knowledge.

The final features of this theory are the state and the change aspects, which lead us to the basic assumption of this model: market knowledge and market commitment affect both current decisions and commitments decisions and these become a cycle (Johanson & Vahlne, 1977)

Figure 3-State and change aspects



1.6.2 Network Theory

The network researchers challenged the Uppsala-model approach in the last years because this model states that firms achieve faster internalization through experience and resources of network partners (Mitgwe ,2006)

According to this theory, internationalization is a constant process of establishing, developing, preserving, and dissolving partnerships with the goal of accomplishing the goals of a company. Relationships are built on reciprocal trust, knowledge, and commitment to one another in this way. This approach is created in three steps: extension, penetration, and integration in this manner. (Mattson & Johansson, 1988)

The researchers of this theory see internationalization as a natural outcome from the network relationships with foreign individuals and companies.

Business networks are defined by Hollensen (2011) as relationships between companies created through time. In this way, the coordination between players and members of the networks such as suppliers, subcontractors, customers and other market actors can bring rewards and better conditions.

This type of relationships can be horizontal and vertical. The first ones contribute to the production of a final good or service. On the other hand, the vertical interdependencies focuses on the exchange of resources within the value chain. (Elg & Johansson, 2011).

To summarize the network method, relationships inside a corporate network can drive, facilitate, or even expedite an organization's internationalization process. With this model was possible the internally and externally integration. This is totally opposite to the idea developed by the Uppsala Model in which the companies enter new markets blindly (psychic distance) since the networks created by the company should be the key source of information they need on new markets. (Johanson and Vahle, 1990)

1.6.3 Born Globals

These firms do not follow the successive stages suggested by some researchers. This concept of Born Globals was first used in 1993 by Rennie to describe young companies that go through internationalization stage quickly after the inception stage (Oviatt and McDougall, 1994; Gabrielsson and Kirpalani, 2004).

One common denominator between these companies is the fact that they are managed by entrepreneurs, visionaries that have a global vision of the market where there are no limits or borders, also they have the ability to adapt to different environments and manage complicate networks.

Internationalization has therefore become a presumption or a business decision made by an innovator or a leadership team with a strong ability to learn creative solutions, a high level of competence in managing complex networks, and the ability to adapt to a variety of cultural contexts, according to this theory.

According to Hollensen (2011), there are four variables that contribute to the growth of born globals:

- The role of niche markets
In mature markets, interest for customized and specialized products is increasing. SME's will be able to compete with larger corporations because they will be able to focus on specialized items.
- Advances in process / technology production
Technology improvements in the microprocessor sector enabled enterprises to produce diverse and non-standard parts and components more cost effectively and with relative simplicity. This means that SME's are no longer restricted by the fact that larger corporations have exclusive control over the supply of parts.
- Flexibility of SMEs – better response time and adaptability
SME's can benefit from flexibility, faster reaction times, and adaptation in their worldwide ventures.
- Partnerships and global networks
International sales strategy is easier and more effective for SME's when they join forces in global markets.

To summarize, this section of literature presents, not just important aspects and how they influence entry mode decision – making, but also certain theoretical models that take specific factors into account. These models have already been investigated, implying that multiple entry modes are chosen based on the business. The behaviour of the internationalization process cannot be characterized by a single theory; it is always a combination of two or all three. Though, on this occasion, it is clear that SMEs place a high priority on establishing and sustaining networks in order to accomplish globalization.

There is no such thing as a good or bad approach because each organization has its own unique worldwide strategy.

I will address what Frigoair GmbH managers think are the primary reasons and determinants on entry mode choice for the internationalization market. Furthermore, which of the five entry mode choice models outlined above is the most practical and empirical for Frigoair.

Finally, the impact of these key reasons on entrance mode selection will be addressed.

Chapter 2: Methodology

This chapter presents the methodology of the qualitative research

The research strategy of this project will be based on my professional experience at an international company with packing facilities in Peru and commercial offices in Neuss (Germany).

2.1 Research Design

The research design: In company Project. It is not intended to be taken as scientific research, the document is a guide for information and should be taken as that. This study is mainly focused on depicting current practices in exporting, distributing and promoting organic Peruvian ginger into the German Market as seen by direct players. On this chapter, the question that is addressed is:

Which strategies did Frigoair GmbH use in its internalization process?

In this analysis, the goal is to explore the entering strategy process and identify the main factors important for the company in order to succeed while going abroad. A qualitative analysis will be done as an in-company project.

The data collection approach will be detailed in the next part, along with how it relates to the research topic, using the scenario of Frigoair.

2.2 Data collection

Data for a study can be gathered from both primary and secondary sources. Primary data is gathered directly from first-hand experience, whereas secondary data has previously been written. Both sets of data are used in this investigation.

The methodology used to develop this work can be structured into three different main steps. The first part will be focused on a literature review, data and information taken from professional articles and books based of International Strategies of SME`s, followed by an interview with the owners of Frigoair GmbH and also the General Manager of the company in Peru responsible for the whole production and supplying chain

The goal of the interview analysis was to create a comprehensive image of Frigoair GmbH's internalization strategy, with a particular emphasis on the strategy determinants and some

unique characteristics of the company. These subjects are explained and compared with the review of the literature in the following sections.

Finally, a match between the theoretical review and the practical approach used will be the basis for the conclusions. Below, the detailed explanation of each step:

Theoretical Review

Is the literature review on the subject of internationalization and expansion, a necessary step in order to understand how SMEs internationalize and which theories exist behind and why? Only after finishing this process, will it be possible to move to the next phase;

Interview with the managers of both companies

This part was designed to guarantee the collection of meaningful data from the main stakeholders, After the framework and definitions of the internationalization process, the guidelines for the interview will be created. With this script, it will be possible to understand the decisions taken by the company when entering new markets and developed the part of the case study

Match & Conclusions

A match between the two sides will be done and all the conclusions and recommendations based on the real-life example of Frigoair, and its expansion strategy will be described. This is the last and most important stage of the work.

Analysis of the Information

2.3 Global view of the Ginger

Historically, the main supplier of ginger is China, due to its scale economy offers large volumes at very low prices leading the global exports. However, there are importers that are looking for a high pungent level which is found in the Peruvian ginger. This is the main reason why Peruvian ginger started gaining visibility since 2016.


The Pungency level of this product is really important because less product is used in a recipe, making a more intense flavour with less quantity. Peruvian ginger can't compete with Chinese in prices, but in quality it is really superior.

Chart 2 - World Ginger exports of 2020 (Veritrade)

PRODUCT	GINGER
HS CODE: 910110000	FOB \$
China	541,184,000.00
Netherlands	118,770,000.00
Thailand	54,803,000.00
Peru	54,034,081.00
Total	754,937,000.00

Below, the Ginger products with added value that are currently in the German Market, besides the fresh presentation in boxes

Chart 3 - Ginger products with added value

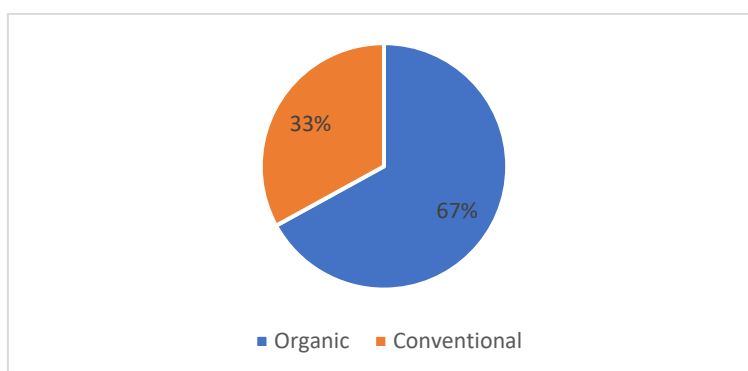
Ginger + Vitamin D, C + Zinc Capsules	Organic ground ginger
	



2.3.1 Current situation of the Organic Peruvian Ginger

The ginger production is centralized in Junín, which has the best conditions for this kind of crop. Most of the production from Junín is Organic since the fresh organic ginger production represents 67% and the conventional represents only 33%

Chart 4 - Distribution of the Ginger Production in Junin (Promperu, 2020)



In addition to that, Peru grows the most demanded worldwide variety called “Jamaican Yellow”. The Peruvian soil can produce ginger all year round to the international market with very good quality.

It's worth noting that ginger is a transitory crop, with a growth cycle of less than a year in this case, and that once harvested, it'll be replanted: Ginger is grown mostly in the following areas:

- Chanchamayo
- San Ramón
- La Merced
- Moyobamba

- Satipo
- Río Negro
- Caviliari
- Pampa Hermoza
- Mazamari

The demand for ginger increased specially during the first trimester of 2020 due to COVID 19 Pandemic since it brought back an interest in high-quality ginger for its antioxidant and immune-boosting characteristics.

Among the Peruvian export varieties exported to the world we have: organic / conventional fresh, dehydrated, dry or chopped.

Chart 5 -Peruvian Ginger ´s exports of 2020 (Trademap, 2020)

PRODUCT	GINGER
HS CODE: 910110000	FOB \$
2018	50,864,541.96
2019	42,992,226.00
2020	54,034,081.00
Total	147,890,848.96

2.4 Case: Frigoair GmbH

At the beginning Frigoair GmbH was founded in 2013 as a Logistic company, providing products to the clients all over Europe. FRIGOAIR GmbH now is an import-export company for organic fruit and vegetables based in Neuss, North Rhine-Westphalia and warehouse in Duisburg. The product range that they manage enables them to supply customers with a wide range of fruits and vegetables in both small and large quantities. The Team lives and breathes with fresh organic products and has been in the fresh products industry for over 20 years. With their experience, creativity and passion for fresh production, they are willing to provide the best service. They have all the profile for a further international strategy of expansion. Frigoair Organic Production Peru established in 2019, it was created specially focused on growing, packing, exporting, and distributing our own organic fresh products in Pichanaki (Junín). Additionally, they developed partnerships to work with the support of other farmers from the Peruvian jungle.

We can only attribute Frigoair's investment plan in Peru to having a worldwide vision, which is a characteristic of a Born Global firm, as indicated in the literature review. This is also related to the fact that CEOs who make an early entrance into worldwide competition have a unique vision, a powerful marketing orientation, and experience with international entrepreneurship.

2.4.1 The Origins of Frigoair GmbH

Frigoair GmbH is a private investment company which was created in 2018 by Igor Tkalec and Nataša Žnidaršič as managing directors. Igor Tkalec is in charge of the transports and Natasa takes care of the import and sales. The company was founded in Neuss, North Rhine-Westphalia, and from there Frigoair distributed to all the main points of its strategic partners and clients.

Figure 4-Company Logo Worldwide



Figure 5-Headquarters and offices in Neuss



After a very hard first year at the beginning while outsourcing the production of ginger and turmeric, the repacking process, a lot of strategic decision were taken for the success of the company. One of these decisions was to find the right partner in Peru that also knows the market.

According to a review of the literature, network theory can provide a new viewpoint on the internationalization process, particularly for small and medium organizations, because their internationalization process is more dependent on relationships with others. The company penetrates international markets with the connections arranged with the participation in various international event fairs because that is the place where Frigoair got business associates. With the export entry concept, the company also entered the international industry. In terms of network theory, it appears to be at the heart of the firm's internationalization process. Many actions within the internationalization process mainly rely on firm's networks, particularly when it comes to obtaining market insights.

2.4.2 Creation of Frigoair Organic Production Peru

The first step was to invest in the supply chain, so after a business trip to Peru and an accurate study of the market, Frigoair GmbH built Frigoair Organic Production Peru S.A.C with its own 600m² packing facilities in Junín Peru with Brett Medina as General Manager, whom they met through networking. Besides that, they also bought its own lands in Pichanaki to be certified as Organic. In that way they control the whole supplying chain of the main product (organic ginger and Turmeric).

Frigoair organic production Peru bought 86 ha. of organic ginger fields and 2ha. of organic turmeric. However, and since development and expansion was always the company's objective,

a great investment was undertaken to increase land size and also innovate in developing more organic products since they believe in the future of sustainable products.

Nowadays, they have invested in buying additional 32 hec in a region called Cana Eden in Junin where they will harvest organic ginger, turmeric and sweet potato in order to be certified as Demeter for 2022 which is a very important and recognized certification

Figure 6-Distribution Network



According to the internationalization case of Frigoair, we see that the company entered a foreign market without paying much attention to the psychological barrier proposed by the Uppsala model, but the firm still regards market knowledge and cultural awareness to be the key factors in their internalization process. To explain this, emerging technologies, increasing globalization, a rise in the number of professionals with international experience in terms of conducting business, travelling, studying and so on, as well as the availability of information, actually enable the companies to quickly overcome the obstacles posed by psychic distance. Firms also acknowledge that businesses are conducted differently in various parts of the world, and that comprehensive knowledge of the market and an awareness of cultural diversity are essential to success.

2.5 Marketing Mix for Frigoair GmbH

2.5.1 Product

Adaptation to the product needed to be implemented in order to address the international needs. Frigoair ginger is 100% organic. Its main characteristics are that it presents strong aroma, spicy flavour and contains a functional component called Gingerol. It is preferred in the market due to the strong taste compared to the Chinese ginger.

Figure 7- Organic Peruvian Ginger



Uses:

The Peruvian organic fresh ginger, offers its potential customers a:

- High quality organic seasoning, with intense organoleptic characteristics
- Peruvian superfood
- Versatility of employment both in industry, kitchen and health



Our fresh organic ginger enters into the German Market in the following 2 different presentations: packed in our 13.6 kg box of Organic Inka brand or packed in our 8.2 kg plastic box according to the request of the customer and complying with the regulations of labelling and packaging of the country of destination.

Once in destination it is reselected, repacked and distributed into the supermarkets in EPS 3KG box or IFCO 5 KG, which are special reusable and washable boxes.

Chart 6 -Types of packaging in Origin

Type of pallet	Box	Capacity
		Carton Box 13.6 kg
		Plastic Box 8.2 Kg

Chart 7 - Types of Packaging in Destination

Type of Box	Capacity
	IFCO BOX 5 Kg.
	EPS BOX 3 Kg.

To fulfil the requirements and standards and to transmit security to the buyers, the product has to be certified, in this case LETIS S.A is our body certifier. Certifications guarantee traceability and that the safety process is being fulfilled. They visit the plant and verify that the

process you carry out is adequate, that is, from the field, the discharge, is treated in a suitable place, these certifications are renewed every year. In the case of Global GAP and organic, the fields are certified.

Our product has the following certifications:

- Organic Certification for Europe

Organic certifications are important since they guarantee that the production process does not negatively impact the environment. For the entry to Europe of organic products the following seal must be used.

- NOP – EE. UU

The US is the world's leading market for organic products and has its own organic production standard: NOP (National Organic Program). This certification is a guarantee of competitiveness in the United States. The certified products display the USDA ORGANIC seal

- Global Gap

This internationally recognized standard is necessary for agricultural production. It seeks sustainable and safe production for workers, includes food safety, traceability, health and well-being of the worker, integrated crop management, integrated pest management, quality management system among others.

- Grasp

Global Grasp is about GLOBAL GAP and adds social responsibility.

- IFS – Wholesale

IFS is a standard for manufacturers, wholesalers, distributors, agents and brokers. IFS addresses food safety and management of product quality.

The spec data can be found as an Annex at the end.

2.5.2 Price

In General, the price of the fresh product is very volatile since it goes according to the seasonality of the countries supplier and is affected by external reasons mostly in this year 2020 -2021 due to the COVID 19 Pandemic.

The advantage of Frigoair GmbH is that we have control of our supply chain since we have our own facilities and fields in Peru so we can have lower prices compared to other competitors. In this case the price of purchasing organic Ginger from Peru is between 30-35 euros for a 13.6 kg box. For export by sea, it is recommended to add 5% more by weight to compensate for the ginger weight loss while transit time. Once in our warehouse, the price is according to the supermarket and the type of packaging:

- Edeka Supermarket: is processed, repacked and put in 3kg. EPS boxes. The price of selling is 8.85 EUR per-box.
- Rewe & Penny Supermarket: is processed, repacked and put in 5 kg. IFCO boxes. The price of selling is 15 EUR per-box

2.5.3 Promotion

The communication of the brand “Organic Inka” and the products should be done through:

- Attending to Food Trade shows, conventions: Bio Fach, Fruit Logistica, Sial Paris, Expo alimentaria in Peru, Anuga, Fruit Attraction, etc.
- Website: The web of the company needs a deep overhaul because it has to be dynamic and friendly focusing in organic products and sustainability.
- Communication with importers: Importers and other distributors play a very important role in the network and market strategy, so close contact with them is required. A sales presentation, brochures and samples are a good way to ensure sales.
- Realization of an institutional video that includes our fields, Peruvian and German facilities, as well as a description of the entire supply chain from farms to supermarkets.
- Guided visits to the packing facilities and own lands in Pichanaki (customer experience).

2.5.4 Place

Mostly 80% of sales occurs to retails, so in this case contact with retailers was the priority - to work directly with them.

The organic ginger shipments were sent from Callao Port in Peru to Rotterdam Port in Netherlands from where the transport was coordinated to the warehouse in Neuss, Germany. The distribution network chosen to begin is mainly the supermarkets Rewe and Edeka in order to be recognized and have better prices. In these supermarkets the consumers have higher

purchasing power and usually search for good quality food and in this case variety of Organic Items.

However, in order to widen our product portfolio and get more customers, the strategy was redefined and also focused in the following:

- Industrial market for the beverages: Frau Ginger, Ginger Juice, Kraflinge, Gimber, Sonnestar GmbH
- Bio Market Chains: Dennree and Alnatura

Chapter 3: Implementation of the internalization plan

3.1. The reasons

Natasa Znidarsic, with more than 25 years of experience in the food trading industry working in big companies as purchasing manager, such as Dole and Unifruit, and traveling around the world looking for new supplying sources, always knew that she wanted to have her own company. In the year 2018, she knew it was time to start her own path and make it a reality due to these reasons

- Organic trend consumption in Germany.
- Good Business Networking - Partnerships
- Product Portfolio diversification in Fresh Industry

Together with her business partner Igor Tkalec, they decided to focus in the Organic Product starting with Ginger, firstly as a distributor, only trading this product. They realized that the demand for Organic was huge, so in order to make a difference with the competitors, they invested in Peru to build their own packing facilities and purchase their own lands as well. This decision was essential to support the company growth.

3.2 Internationalization limitations

Despite the fact that this company is considered a SME there are some factors and limitations in terms of finding the opportunities of the global market. According to the information collected from both managers, the barriers to internationalization can be classified in the following.

- **Lack of financial resources:** Not enough budget for investment with new partners and also lack of funds to provide credit facilities to possible customers who might be unknown, have no past experience with the company, and come from countries with unstable political-economic environments.
- **Human resources barriers:** in this case having to hire the right team in both markets: the domestic market and the destination market. The company struggled at the beginning with the following:

Germany: Untrained personnel to handle the repacking process of the ginger. People from the Balkans were hired and trained in order to do this job.

Peru: specially in the region on Pichanaki (Junin), lack of specialized people with the right knowledge to deal with international business tasks such as documentation, logistical arrangements and with the knowledge of foreign languages.

- **The lack of managerial time to deal with internationalisation:** Since both managers were focused into operative issues, time to design sales strategies, and conducting business with overseas customers needed to be established
- **Pressures imposed by the industry:** product and price had to be adapted also according to the market. In the fresh industry, the prices can be affected because of volume available, changes in season and cost of transport (sea freight)
- **Bureaucracy and legal impediments:** additional information cost and time for obtaining necessary licenses or permits. In order to have all the lands certified in origin and also the distribution certification in destination, both companies had to be audited and comply with all the regulations of the supermarkets and government institutions before start selling the product.

3.3 Target of the market

In general, the consumer demand for organic food and beverages in Germany has risen significantly in 2019. This year was known as “the boom of the Organic Peruvian Ginger”, there was a big potential for Frigoair GmbH to target Germany as the main destination.

The strategy of the company led to having the headquarters and warehouse facilities in Neuss (Germany) due to its central localization. The reasons are the following:

- Germany is the biggest consumer for Organic products in Europe especially Ginger and Turmeric.
- The logistics were already in place since there is a partnership with Frigoair Logistics for the Distribution
- The big number of organic retailers in the country which still look for a reliable source and having all the supply chain is a plus, in this case from the fields to the retail.
- In the future more countries can be targeted for expansion, but to start having a solid foothold in the country, Germany was the best option

Figure 8-Location of the Target Market



3.4 Entering Strategy

After establishing the company in Germany and a lot of hard effort because of the experience of the owners and networking, the company went directly to the supermarkets without any broker or intermediate person.

Frigoair GmbH started the long procedure to be a regular supplier for Edeka and Rewe. This first step was the most important and the key to unlock the door for the retailers. They started with all the audits in Peru and also in Germany which was a very extensive and bureaucratic phase.

The competitive advantage and the benefit of Frigoair over other suppliers was that the company was in charge of the whole supply chain of the organic ginger. In this case being a producer, packer, and distributor made the difference.

At that moment in 2019, they also participated in the Anuga Show which is the leading global trade fair for the food and beverage industry. This was a very good way to get contact with customers, retailers and be recognized.

In this part, also my hiring process was strategic since a department specialized in sales expansion and marketing had to be created giving the following benefits to the company.

- Nine years of experience in the agribusiness industry as sales executive and valued networking in the Peruvian territory

- International mobility because of my Peruvian nationality
- Ease of communication with the Peruvian company because of the language, this in order to coordinate imports also.
- Portfolio of clients, including importers and retailers

Figure 9-Repacking process in Frigoair GmbH facilities



Figure 10-Trucks for distribution



3.5 Swot analysis of the company

Chart 8 - Current SWOT analysis

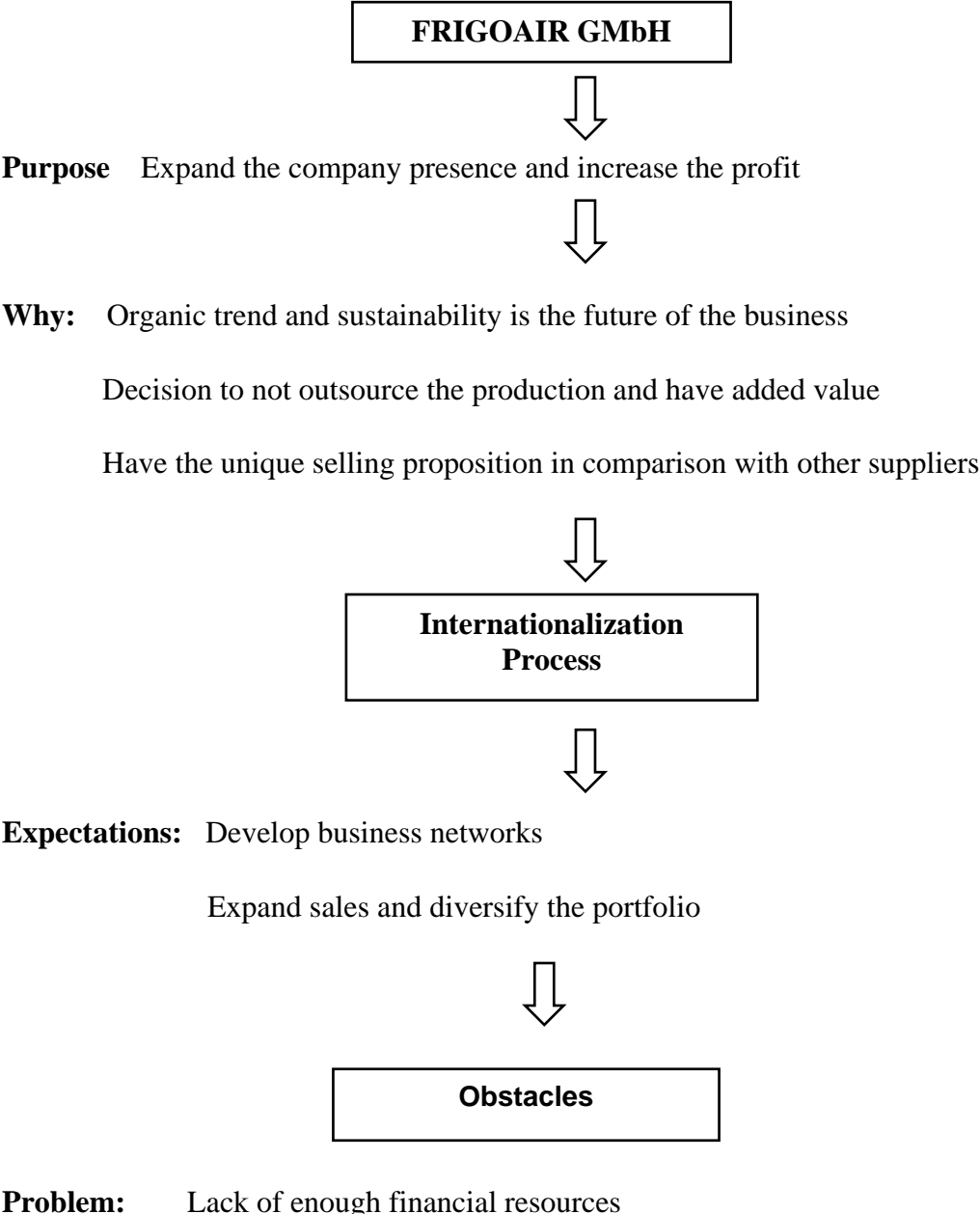
<p>STRENGTHS</p> <p>Experience of the owners in the fresh industry</p> <p>Initial investment in internationalization already made with the creation of the facilities in Peru</p> <p>Company presence in origin and destination which give the company full traceability</p>	<p>WEAKNESSES</p> <p>Complex internal structure</p> <p>Lack of a specialized department in charge of sales & marketing</p> <p>Confusing communication channels with local partners at the beginning</p> <p>Not enough budget for marketing</p>
<p>THREATS</p> <p>Strong global competitors like China and Brazil.</p> <p>Political instability in Peru</p> <p>Communication: The Peruvian team involved in production had no knowledge of English.</p>	<p>OPPORTUNITIES</p> <p>Big new market for Organic in Germany since it is the second bigger consumer</p> <p>High power purchase and expenditure in organic products</p> <p>Diversification of the market : product for retail and for industry</p> <p>Perceptibility to new companies that have all the supply chain and are certified</p>

To summarize and comprehend all of the data presented. A Swot analysis, in my opinion, was vital. According to the SWOT analysis of the company's overall picture, demand in Germany is increasing every year, thanks to the product's adaptability.

Another characteristic of the product's adaptability is that it can be used in a variety of applications, including carbonated beverages, spirits, cuisine, restaurant, pastries, herbal teas, and alternative medicine. This gives us a wide range of sale alternatives inside the business. The ginger market tends to be consistent throughout the year just when a retailer runs an advertising campaign, small changes can be noticed.

The competition is hard with the chinese and brazilian also in the German Market , but Peruvian quality is much better and Frigoair GmbH has an advantage as a grower not only a distributor.

3.6 Internationalization scheme



Lack of managerial time to deal with Internationalization



Solution

How Developed partnerships with the sourcing country and creation of Frigoair Organic Production Peru in Junin, Start the process of certifications in both companies, Participation in Trade Show.

Where supermarkets and Organic retailers in Germany.

3.7 Creation of Marketing and Expansion Department

The creation of this department is the main key to work towards the internationalization strategy, keeping aligned and in the same rhythm all the heads of departments like financial, operational, production. All the members have to feel part of the company and have the same mind-set. The communication between both companies must be fluent and open. Also, important feedback from clients, competitors and audits institutions are a god way to maintain the area informed about the steps to follow. This area should be responsible, having the support of the company managers and be independent enough to make decisions, although always reporting to them.

The department would have the following main functions:

- Contact new importers in Europe
- Procurement and distribution of organic ginger and turmeric
- Contact with the retailers in Germany and near countries
- Close contacts with Importers and Retailers
- Placed in the headquarters in Germany
- Attending international food shows and travel to visit the clients to strength the commercial bonds
- Preparation of commercial reports to the General Management
- Development of partnerships

Chapter 4: Conclusions and Suggestions

4.1 Conclusions

In this case, the majority of the founders, managers and entrepreneurs had extensive prior expertise in foreign business activities, allowing them to internationalize at a steady speed and with a considerable amount of resource commitments all through the early stages of internationalization. If we analyse their conduct under the light of the theories outlined earlier, we can see that the network theory explains a lot of things, while born global theory also does a good job of describing their actions. The Uppsala model is still in use, just not as intensively as it once was, but it cannot be ignored.

We can conclude that, for a business to expand the markets into new territories there are factors that must be considered such as

- Evaluate if the company has the funds and customer base needed for expanding
- Find the right partners and team members according to the new market
- Structure the team in a way there is no overlapping of decision makers
- Understand the complexity of the market in terms of socio-political differences with your organization

Frigoair was determined to be motivated by both proactive and reactive reasons to enter overseas markets. Foreign demand for commercial products, the opportunity of expanding a customer's portfolio, a lack of demand in the domestic market, an increase in profit, and competitive pressure in the domestic market are the key drivers. The reasons for internationalization were examined via the perspective of a specific sector of the German/Peruvian economy which is agribusiness.

I consider that the best strategy for Frigoair GmbH was the establishment of partnerships with the people that have the knowledge and the experience in the market. Using this knowledge in the local and target market helps to reduce the risk and to develop new business networks which is very important for this kind of business.

The significance of structuring a good business model, building a strong strategy and exploring all the connections are as essential for a great landing into new territories as for the survival of the company in their own comfort zone.

In this project, I was able to analyze how the organic fresh ginger exports evolved from 2019 -2021 and how internationalization works while I was implementing the international sales & marketing strategy.

During my current working experience in Frigoair GmbH; I noticed that the company has the possibility and potential to expand operations and sales into others markets like: Austria, Switzerland, Swiss and Denmark, because of healthy and organic trend that is also developing there.

China is the main supplier to Germany, and in turn the largest producer of ginger in the world, so in terms of conventional ginger, it is difficult to compete on price. However, Peruvian ginger, being an organic product, has been able to find a market in Germany since it has allowed Peruvian ginger to differentiate itself from competitors that have a conventional offer, and to position itself with an organic offer, duly certified

To expand the distribution in other countries, be more recognized and have added value, the company requires to invest in different certifications, which is a plus for their products such as Demeter and Fair Trade.

The full traceability and the protocols have to be well established when harvesting, producing, packing and shipping organic fresh ginger to avoid claims in destination cause of cross contamination and bad quality.

In my opinion the main reason to success in an international market was the capacity to adapt. In this case adapt to the necessity of each retails, different packaging, different labels. The key for this adaptation is the constant innovation, diversification and having the right partnerships. Frigoair GmbH and Frigoair Organic production Peru, are a good example and model from which other SMEs can learn and take international business strategies.

4.2 Suggestions

My suggestion for Frigoair GmbH should be to improve its digital presence by:

Creating a Spanish/ German website version will be necessary. Even though translators are just a click away, having a “.pr” version will add trust and a sense of proximity for German distributors and final clients.

Pay the subscription to Veritrade site , which is a commercial intelligence platform containing information about global trade from a range of countries, covering prices, products, customers, and suppliers. This tool will allow us to:

- Optimize market research
- Have real prices of the competitors
- Find new customers
- Keep updated with the market trends

Consumers and Importers use the internet to get information about the products they buy, they want to be informed. So, a social media campaign in LinkedIn with weekly posts about the production, seasonality, new developments would be very useful. Also include videos of the packing facilities which will be renovated could be linked to the website.

Generate added values and diversify the offer: frozen organic ginger juice, ginger flakes, powdered ginger.

Additional to this: The hiring of an additional commercial representative with experience can help us wide our product portfolio, focusing on developing other organic products: fresh, dried and juices.

There are some public institutions from the German and Peruvian government that support the growing of the SMEs that belong to agribusiness industry with giving credits and pre shipment- capital funds, providing training for innovative methods of production that at the end create sustainable business models. It is important to be aware and be participant in this process in order to have a positive and competitive advantage that helps develop and expand the company

Also during my visit to Peru to the facilities in Pichanaki, Junin, it was suggested together with the board of managers to invest in the facilities of the packing house, buying more machinery and increasing the area from 600 m² to 2500 m². These changes are necessary to produce more containers due to our increasing demand. In order to enlarge the facilities, we need to have more sales so we have more revenue that we can invest.

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Annexes

Annex A – Spec data Sheet

ORGANIC GINGER - TECHNICAL SPECIFICATION

PRODUCT DESCRIPTION

Our Peruvian ginger, which scientific name is Zingiber Offinale, is 100% organic.

Its main characteristics are that it presents strong aroma, spicy flavour and contains a functional component: Gingerol.



PRODUCT INFORMATION

Packing: Carton Boxes

Weight per Box: 13.60 kg Net

Classification:

Cat 1:

- 70 gr to more (90%)
- 50 gr to 69 gr (10%)

Industrial:

- All sizes

Defects: 10%

Boxes per pallet: 72 und

Boxes per container: 1440 und



PRODUCT AVAILABILITY

Jan	Feb	Mar	Apr	Jun	Jul	Ago	Sep	Oct	Nov	Dec

● High season ● Low season

PRODUCT CLASIFICACION BY SIZES



OUR BRAND

ORGANIC INKA



OUR CERTIFICATIONS



Annex B – Delivery order for Supermarket Edeka



EDEKA Einkaufskontor GmbH

Adresse: New-York-Ring 6, 22297 Hamburg
 Bezugsadresse: New-York-Ring 6, 22297 Hamburg
 Telefon: (040) 63 77-0
 Telefax: (040) 63 77-22 31 Internet: www.edeka.de

Bankverbindung:
 EDEKABANK AG Hamburg, Kto.-Nr.: 1015 028 001 (BLZ 200 907 00)
 IBAN DE71200907001015028001 BIC EDEKDE33

Bestellung **Belegnummer: 1100329743**

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Geschäftsbereich Fruchtkontor
 Fruchtkontor West

Datum 30.07.2021
 Uhrzeit 16:07

Fruchtkontor GmbH
 Floßhafenstraße 35
 D-41460 NEUSS

Frachtkondition: Frei Haus
 Kaufart: Pool

Abgangsdatum: 06.08.2021
 Ankunftsdatum: 06.08.2021 Uhrzeit:
 EDEKA AG - FK Roisdorf DE
 Roisdorf
 Raiffeisenstr. 8
 53332 Bornheim
 Unsere USt.-ID: DE813230948
 Beförderungsmittel:
 Schiffsname:
 Spediteur:
 Währung: EUR

Pos. Nr.	Artikel Positionstexte	Urap. Land	Menge	Pal Fak	Pal Typ	Gesamt Ges.Mgs.	ME PE	Preis PE	Gesamtwert
10	Bio Ingwer Rohware PE 3 KG EPS104 Temp: 8° bis 12° C	PE	352	176	EURO	1.056,00	KG	2,9500 KG	3.115,20
11	EPS Klappsteige grün 104 3,86		352			352,00	KOA	3,8600 KOA	1.358,72
Summe:	352 Kollis	EURO	2,00					Gesamtwert Ware:	3.115,20
Summe:	352 EPS Klappsteige grün 104 3,86							Gesamtwert Leergut:	1.358,72
								3,00-% Rabatt:	-93,46
								Gesamtwert:	4.380,46

Mit freundlichen Grüßen
 Stefan Knüttgen
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Annex C – Delivery order for REWE and Penny Market



Campina Verde Deutschland GmbH
 Domstrasse 20 DE 50668 Köln
 UST: 215/594/01831 || ID-Nr: DE815616727

Büroanschrift Katzbergstrasse 1a
 DE40764 Langenfeld

Frigoair GmbH
 Floßhafenstr. 35
 DE-41460 Neuss
 Germany

Warenausgangsavis

Anlieferung:
01.08.2021

Kartons

Kunde:	Kopflager 711 Ost	C00240	
		4388400207110	
Lieferadresse:	Am Exer 12-14	240-2107290120	
	Leipzig	DE-04158	Speditionfirma: -----
	Germany		
	EUR	Ingwer Bio 5kg IFCO	224
	EUR		224

Annex D – Interview Script -Brett Medina

1.- What is your job title and main task?

I am the General Manager of the company in Peru

2.- Where is the main location of the company?

The packing facilities and offices are located in Pichanaki (Junin), in Peru since it is the region where most of the 70% of the Peruvian ginger grows. The location is strategic

3.- What are the main challenges as being in charge of the whole supplying chain in Peru? Was it hard to be relocated in Junin and hire the people?

In my case it was quite a challenge since the company in Germany bet on me. In Peru, we start with no facilities so we needed the right business networks and I had to take care of suppliers, logistics and also recruitment of specialized people to have the right team. In this way, people for the process of ginger needed to be trained and partnerships with the farmers was also very important.

Since we do deliveries to Germany, also Canada and local market, we need to plan the production to be just in time, and prevent delays in shipments. This all requires careful coordination and management

4.- Which factors should be taken in consideration when a company plans to expand the business to a new country?

According to my experience I would say affordability, cultural differences, political and legal factors, knowledge of the market and also having a good business networks in the foreign market which also goes together with hiring international employees for strategic positions. In this way, with the right contacts, the company can grow a lot.

5.-According to your personal opinion? What makes Frigoair Organic Production Peru different to another supplying company?

In comparison to others exports, there was made a big investment at the beginning since we in built our own packing facilities, bought and certified lands in order to control all the supply chain.

It was a very risky decision that had to be made in order to grow. We can actually say to our customer that we are growers, producers, packers and exporters. That is what make the

difference with other Peruvian traders or brokers. We control the whole traceability of our product

6. How do you control and manage the price fluctuation when purchasing of raw material?

This was a problem we had at the beginning since we bought the organic fresh ginger from certified farmers, and as we enter the season the price becomes stronger and the farmers are hesitant to sell. That is why we developed partnerships with them in order to have a fair price for both. This point was critical and was also the reason why we decided to invest in buying our own lands and certified but it is a process that took us a lot of time and money since we have to comply the regulations specially for the organic which is different than the conventional product.

7.- What were/are the changes, if any, made to company`s products? Was there any adaptation?

We have different qualities of ginger: it depends if it goes for the supermarket, the juice industry or the dried industry. The parameters are different and also the prices.

For the supermarket deliveries: At the beginning we were sending in carton boxes 13,6 kg, but with experience we discover that is not the proper packaging for the ginger, since the product needs to breathe and sometimes on arrival it was wet.

Cause of this, we change the packing to 8,2 kg in plastic boxes, which also can be reusable since we ship the product to Germany and once they have enough quantity there they sent us the plastic boxes back. Once here it goes to a cleaning and disinfecting process and it is used again

In the case of the industrial ginger, it goes in red bags since it's easier to handle for the final customer in that way

8.- What is the importance of developing a strong trustful Brand image in international markets?

The international recognition and brand are the pillars of our company. We had some problems at the beginning since we were outsourcing, but then we learn about all the ginger process. For us is very important to deliver to our customer quality and the product that they request. We want to grow and be internationally recognized for our quality

9.-Are there any future endeavours in preparation in the long term? Expansion facilities or expand the product portfolio?

Actually we have a lot of plans:

We want to pack one container per day, so an expansion of the packing facilities here in Junín will be made for the next season, the reception area will be increase and also the storage, plus investment in machinery also will be made.

Together with the ginger, came requests for turmeric that we have been doing and processing here in our packing facilities.

We are looking forward to also create a purchasing business unit that will be in charge for supplying others organic products such as limes, avocados, mangos. But also we are trying to developed the dried business unit and the frozen business unit.

I strongly believe that we have to expand the portfolio in order to grow and changes in destination are being made also by the office in Germany

Annex E – Interview Script – Natasa Znidarsic

1.-What is your job title?

I am a general manager of the company

2.- When and why you decide to invest in building facilities in Peru?

After 23 years in fresh fruits and vegetables business I have seen that future business is with supermarkets and with other clients being a producer is a plus. This opens a lot of doors and it gives you more flexibility.

3.- Please tell us why is the main location of Frigoair in Dusseldorf, Germany?

If your company is situated in this region NRW (Nordrhein-Westfalen), You can supply clients in North, East, West and South Germany, you are close to Holland market and you are close to Belgium, France, England, Finland, Sweden, Norway and Denmark.

3.- What are the main challenges as being in charge of the whole sales are in Germany?

How to convince a client that you are better than your competition? Quality in goods and in service.

4.- According to your experience? How did you define and approach target market?

You need to make analyses of the market, study your competition and get what you are looking for. This will give you competitive advantage when introducing your product

5.- Regarding prices, is it hard to keep a fixed price with the supermarkets specially in the fresh industry where prices are fluctuating?

This is now a new period where fix prices are a big danger for both sides. We are interested that our clients are successful and happy. We need to adjust prices according to the market situation.

6.- What is the importance of developing a strong trustful Brand image in international markets?

This is first in the line of importance. Your company name or name of the brand can take you on a long way or can be ended immediately. That is why we have to comply with the regulations (certifications) in order to make the brand recognized and have strong bonds with our partners, be reliable. Organic products are the future of fresh business. Company has to do everything to follow that way and this will bring a success.

7.- What is the best way to promote the company in international markets?

With your high quality of product and service which is spreading around the markets. Words go fast. Also participating in trade shows can help us meet new customers or suppliers

8- What is the overall importance of internalization of Frigoair GmbH success?

For any company internalization is very important and this is also for Frigoair GmbH. Without putting norms, standards, relationships and actions in the company, we cannot say that the company is alive and with a future.

9- How do you see the company in 5 years? What are your expectations?

Successful, strong and well known as a company with good quality and service. I expect to work hard through all this year.