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## **Report**

**“EUROFROZEN - INTERNATIONAL STRATEGIC IMPLEMENTATION PLAN TO BRAZIL”**

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## **Executive Summary**

The idea of internationalization came as a solution to the objective of increasing both sales and profitability, which is Eurofrozen's major short/medium-term goal. Although Eurofrozen is a small firm, and its current administration only took office in 2008(having little time to plan internationalization as a solution), its employees have an enormous amount of experience regarding the understanding and trends' detection of the frozen food market.

From the moment internationalization became an option, it was clear that all countries with Portuguese as a native language would be serious candidates to invest in. As a consequence, Brazil became the easiest choice because it was the only one where the frozen food sector was having a quite significant growth every single year in the last decade.

Brazil could be a very interesting market for Eurofrozen. The similarities of culture and the sharing of the same language will boost the company's adaptation and surely guarantee the products' success. Even though, in terms of legislation, there a few obstacles that won't be easy to overcome, I believe that with the set of strategies presented today, it will be possible to establish Eurofrozen in Brazil. Brazil has, nowadays, one of the biggest GDP's in the world (always in the top 10), having in the last decade, constant high growth rates, that permitted them, for the first time in history, to consume more than 200 billions of dollars of food per year.

Eurofrozen will offer the same kind of products in Brazil, that already offers in Portugal, having some recipes' modifications, due to the different consumption habits.

In the beginning the company's major objective, is to get as much information as possible about both the market and the consumers, in order to become prepared for the future investment.

The mode of entry that gives Eurofrozen higher confidence is a mix between two entry modes-Exportation and Joint Venture- that would be implemented sequentially in order to establish the firm in the country. It would be impossible for the company to solely support the investment and that's why the joint venture became a viable solution in order to share risk, while keeping the know-how.

### **Business Description**

Eurofrozen - Industry and Trade in Food Products, SA (abbreviated to "Eurofrozen") was formed in 1985 and operates in the field of food pre-prepared and deep-frozen and has been recording in recent years a sustainable growth of its turnover, by betting on new products and new markets. In 2007 Hipogest Group and Caixa Geral de Depósitos Group acquired the majority holding in the company.

In 2008 due to the ownership change, the entire management team was changed in order to have a fresh start with the new shareholders. All Eurofrozen's administrative employees had worked in companies that are a reference in Portugal, and all of them have a huge amount of experience in the food sector. The company's main directors worked in such places as Unilever, Nestlé and Pescanova. One of the company's major assets is its R&D department, composed by a team cooks with an enormous expertise in the creation of Frozen ready meals.

Eurofrozen produces and markets a wide range of meals and meal components of pre-fabricated and quick-frozen, both with brand "Cozinha Pronta".

The export market has proved to have great potential and comes as a great opportunity to promote Cozinha Pronta. The business of 2011 plan foresees a strong

growth in turnover of the company, holding the existing portfolio of products domestically and especially in foreign markets and also by introducing new recipes and developing new concepts, such as “Table Gourmet” (premium line), the “Cozinha Pronta Kids” and Well's line (line of the lowest range).

The privileged channels will be large national distribution and major distributors in international markets. Simultaneously the company intends to explore new channels, such as small and medium domestic retail and channel Horeca (hotels / restaurants / cafes).

The expansion of activity was supported by an estimated total investment of around 5 million, between 2007 and 2010, having made an investment in the acquisition of land adjacent to the factory, increase of the plant and purchase of miscellaneous equipment with a view to increase factory automation and significant increase in productive capacity.

Eurofrozen is one of the most important companies of frozen ready-meals in Portugal, specializing in traditional meals without adding additives or dyes. The company produces according to a high standard of technology, strict rules, control of food safety (ISO-9001) according to international reference standards. The current production facilities and central warehouse are located in the Feijó, Almada municipality.

In 2010(the best year of Eurofrozen so far) the sales were around 6,9 million, representing an increase of almost 0,8 million from 2009(an increase of 13%). From the total sales, the international market represents more or less 1 million in sales(14,5%)<sup>1</sup>, spread all over the world, France, Germany, Switzerland, Japan and Angola. Even though Portugal has been in a quite difficult economic situation for 10 years,

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<sup>1</sup> Exhibit 1

Eurofrozen's sales, since 2003, increased from 3,6 million to almost 7 million in 2010, showing that if a company is well managed everything is possible. In 2003, Eurofrozen had a market share, in the frozen ready meals, of 0,8%, which increased to 7% till 2010.

### **Vision, Mission and Strategic Objectives**

Vision-Being one of the three biggest frozen food producers in Portugal in the next three years and being recognized internationally for their brands.

Mission- Its mission is to enhance the house living of every single frozen food consumer, giving them the possibility of spending little time cooking while eating healthy, economical food and having the remaining house time to spend with their family.

#### **Strategic Objectives:**

1. Increase their sales of € 7 M to 17 M € (Eurofrozen's vision is to increase its sales from 7 million to 17 million in 3/4 years, and this objective will be achieved only with the bet on important markets that could become real sales' earners);
2. 30% decrease in the reliance on own brands of large retailers in the next five years;
3. Increased market share of "Cozinha Pronta" by 10% over the next five years;
4. Being among the top 3 companies in the market for frozen ready meals in Portugal in 3 years;

Being internationally recognized for its benchmarks: quality and innovation. What will "Eurofrozen" do in 2011 to fight the Negative tendencies? Eurofrozen divides its objectives into 6 categories, in order to impose some structural changes that could be the pillars to the long-term objectives. The existing categories are:-Innovation;-

Communication;-Promotion;-Visibility;-Price;-Distribution. The next step is going to be the internationalization to Brazil.

### **TOWS Analysis**

First of all, it is essential to state that Eurofrozen's major asset is its product's quality, due to the constant evolution of all kinds of quality procedures, mainly the ISO-9001. Eurofrozen has decided to adopt a System of Quality Management with the objective of increasing the level of customer satisfaction by meeting their requirements in a consistent way, by searching for a continuous improvement in global efficiency and performance. Eurofrozen planned to deepen its export strategy and it was a vital condition to possess an international quality certification in order to be accepted across borders. With this kind of quality references it is possible for Eurofrozen to: -Get agreements with other national and international players;-Respect the tighter legislation;-Create partnerships with known cooks;-Respond to the increasing world demands by taking its products to every single continent with no obstacles.

Eurofrozen is ready to answer all different needs and new trends (convenience / health / innovation / quality; consumers tend not to Cook from scratch) due to its scattered portfolio of products with new and innovative products (Product quality and packaging). The introduction of the new "Gama Kids" is an example that Eurofrozen can answer the most unusual needs.

As a sum up, Eurofrozen is ready to use its upfront potential and strengths to come up with products and services that could give a strong reply to the opportunities that this new society will bring.

The company's know how to come up with new recipes and new production techniques every single year will give them the opportunity to diminish a great number of threat such as:-Increased penetration of "White Label" brands of large retail chains

will constantly become a bigger threat, that can only be fought with new and better products;-The sales' growth of the Chilled food will only slow down if the frozen food producers come up with healthier and more nutritional products. The entering, to the national market, of multinational players with great recognition is always a threat that can be solved by establishing partnerships with international players, which will only take into consideration the companies that fully respect the ISO 9001.

One of Eurofrozen's major weakness is its positioning against competitors which can be approached with 2 main weapons in order to show off an image of quality and innovation:-Agreements with other national and international players;-Partnerships with known cooks. It is important in every kind of business to spread the risk as disperse as possible in order to compensate possible decreases in the actual market with possible increases in the developing countries, for example.. The frozen food market is no exception to the rule, and internationalization becomes the closest answer to this issue.

### **Porter's 5 Forces**

**Threat of New Entry-** The entry of new players in the sector of ready meals has no barriers, however, given the legal requisites of food quality certification and all necessary industrial licensing is usually a lengthy process. Given the phenomenon of globalization, Eurofrozen will have to be prepared for more aggressive competition from foreign brands with high recognition and highly consolidated.

**Conclusion: High Risk**

**Threat of Substitution-** The substitutes are all food products that provide convenience and quality to its customers at lower prices (burgers, pizzas, soups, ready refrigerator, etc...)

**Conclusion: High Risk**



**Supplier Power-** Eurofrozen's principal raw materials, in terms of value, are cod, flour, margarine and onion. Suppliers of raw materials have a relatively high power since they tend to deal in large quantities only (Price reduction is only possible with huge quantities).

**Conclusion: Medium/High Power**

**Buyer Power-** Large supermarkets chains have the power to reduce the producer's margin because there are always companies prepared to do it and because "White Label" products have been increasing its sales in the last few years. More informed and demanding consumers with a large variety of choices and without switching costs.

**Conclusion: High Power**

**Competitive Rivalry-** Fragmented industry: high number of competitors both in terms of core business and in terms of other food products. Cooked food market is expanding; Globalization implies greater market presence of foreign brands that compete directly with national ones.

**Conclusion: High Risk**

### **Competitive Advantage**

It is essential to state that, during each step of the implementation phase, there will be competitive advantages that take a more important role than others, due to the actions that Eurofrozen will be performing in each one. I will begin with Eurofrozen's strongest competitive advantage, the quickness of the whole product process (temporally speaking), from the moment in which it is detected a loophole in the market which wasn't still approached by our competitors, till the moment the product is put in the supermarket shelves. This kind of speed could also be applied to the

production of white label products, which is even more efficient due to the given specifics of the “Clients’ order”.

The products’ quality is also considered a competitive advantage, because our product is better than the others’ due to the Clients’ feedback brought by the supermarkets’ studies. In the White-label requests, Eurofrozen always gets its advantage due to the quality of the products while losing to the price wars . There are two departments which play an important role in this process of quality, the R&D department and the Quality department which is present in the whole process with the appliance of the management of non-conformities, which is a system based on sampling the product in all phases of production, in order to detect possible system failures and product’ defects.

## **Industry Mapping<sup>2</sup>**

Eurofrozen is one of the major frozen food producers in Portugal, having the necessity of keeping close relations with a certain number of entities, either related to its process of production or to all kinds of outsourcing services that should be done.

**Suppliers:** Eurofrozen has two kinds of suppliers, the ones that supply the raw-materials, which go through a deep analysis process (supervised by the Quality department) in order to guarantee, always, the quality of every single commodity that enters in the production process, and the ones that supply the packaging materials. Eurofrozen contracts DUN&BRADSTREET, in order to guarantee that either the Suppliers or the Clients (Supermarket chains), that are chosen, are entities in whom Eurofrozen could trust, regarding terms of payment and delivery. In order to spread risk, Eurofrozen has relations with a huge number of suppliers-IFQ (Frozen Vegetables);-

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<sup>2</sup> Exhibit 2

Nutriplus(Codfish);-Gráfica Ideal(Packaging);-DDO(Egg Derivatives)-having the opportunity to offset possible delivery failures.

**Competitors:** In a review of limited scope, regarding the core business, all manufacturers of ready meals, national and international. In a broader analysis of their activity, all enterprises engaged in the production, distribution and marketing of frozen or chilled food. There are two types of competitors, the ones that produce frozen products that could be substitutes to Cozinha Pronta, Eurofrozen's major brand, and the producers that compete with Eurofrozen to produce the "Clients' orders", meaning the White Label products of all supermarket chains. Companies such as Iglo, Pescanova, Pascoal and Comifrio, are the major competitors of Cozinha Pronta. Eurofrozen has much more competitors, such as Gelfrite, Gelpeixe, Ferraz&Ferreira and Nigel, which are producers of White Label products.

**Clients:** Eurofrozen has only one type of client, which could exert its role with two different orders, either Cozinha Pronta's order or the "Client's order" for White Label products (Although Eurofrozen does not have the real % of each product's importance in total sales, on both labels the three most requested products are "Esparregado", "Bacalhau á Brás" and "Bacalhau com natas").

**Distribution Companies:** Once the production is completed, Eurofrozen delivers all orders to its clients, meaning that the transport companies are hired by Eurofrozen, and have the obligation of delivering them to the logistic centers of each clients. There are 2 companies working at the moment with Eurofrozen, Gelcentro, responsible for the distribution of the channel Horeca (Hotels, Restaurants) and the food service (catering companies), and SDF is the one responsible for the big deliveries to the logistic centrals of each client. Eurofrozen has one small truck in order to make, either small sample deliveries to the clients, or to make product tasting in supermarkets. Although

Eurofrozen prides itself for having one of the tightest production's quality control in the industry, it has also a very effective system, when it comes to the delivery process. Eurofrozen is constantly sending samples to the clients, before the final deliveries, in order to minimize risk.

**Marketing Services:** All companies, even big ones, have a certain number of marketing related services that are outsourced, and Eurofrozen is no exception to the rule. Services such as, market data reading (NIELSEN), promotion of point sale's actions (SOCIPRIME) and packaging design (RMAC) are outsourced in order to save costs.

**External services:** Eurofrozen has a certain number of services that are done externally, in order to focus its resources in what it does best, production of frozen foods. One of Eurofrozen's shareholders, Hipogest SGPS, is responsible for Human Resources (salaries, labor contracts, disciplinary processes) and for the informatics' systems. Every single month, Eurofrozen sends Hipogest a file with the complete list of every employee's actions including either working days or absences and after checking it, Hipogest sends it to the bank with the salaries' order. There are two Consultancy/Audit firms that play an important role in Eurofrozen's environment, Deloitte, which is the responsible for the audit procedures, and KPMG which is responsible for all consultancy analysis ordered by Eurofrozen.

### **Value Chain<sup>3</sup>**

There are two processes that should be classified as the defining moments of the life's beginning of every single frozen food produced by *Eurofrozen*:-“Clients' order”, which is a request done by one of our clients(*Sonae, Jerónimo Martins*) in order to produce a specific “White Label” product for them ;-“Marketing Department's order”,

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<sup>3</sup> Exhibit 3 and 4

which is a proposal of a new product, done by Eurofrozen's marketing department, that will answer a certain need of the market, meaning, that there was detected a loophole in the market which wasn't still approached by our competitors.

I will approach both processes, while explaining the different implications of each kind of these orders. The "Client's order", first of all, is not a guaranteed deal, because the client sends its order to a significant number of producers, the one offering the best conditions gets the contract to produce it. I will use Sonae as an example, because it is one of Eurofrozen's biggest clients. In the beginning Sonae sends a request, of the product they want, with all the specifications inherent to it. In the request there are three important steps: -Physical specifications; -Target;-The price target. Regarding the physical specifications, Sonae describes all kinds of raw-materials used in the production and the %'s of each element that should be used. The Target refers to the competition that the product will have in the market, meaning which are the frozen foods that could, easily, substitute our product. This is important in order to forecast sales and to understand which is the price range that our product should be in. And finally, the Price target, which is really the most important issue, being the major responsible of all tough negotiations between Eurofrozen and the client. From the price target, Eurofrozen's custeo department, will define which is the exact cost of the product, analyzing 3 subjects:-Eurofrozen's margin;-Client's margin;-The prices of the raw-materials. Eurofrozen's has to work, always, with the worst possible scenario, meaning that it needs to take into account the lowest margins, being very difficult to make any requirements to the supermarket chains, meaning they have all the power. Then, the custeo department will decide if the production is viable, and if not, it has two ways of making it cheaper, by tuning the recipe or by decreasing the packaging's price. During the development of the process, Eurofrozen sends samples to

the client, in order for them to be analyzed by the client's supervision board .After this process , Eurofrozen either gets the contract or not .

The Marketing Department's order is focused on Eurofrozen's major brand, Cozinha Pronta .In order to be, always, in tune with the market, Eurofrozen's marketing department should be in constant market analysis, thus being able to detect possible loopholes and answering them as fast as it is humanly possible.

The Quality department is present in the whole process with the appliance of the management of non-conformities, which is a system based on sampling the product in all phases of production, in order to detect possible system failures and product' defects.

## **Frozen Foods<sup>4</sup>**

**Market Definition-**The frozen food market consists of the retail sale of frozen bakery and desserts, frozen fish/seafood, frozen fruit and vegetables, frozen meat products, frozen potato products and frozen ready meals and pizza. The market is valued according to retail selling price (RSP) and includes any applicable taxes. Any currency conversions used in the creation of this report have been calculated using constant 2009 annual average exchange rates.

**World Market Analysis -**Between 2005 and 2009 there was a clear growth of the frozen food market in the world. This growth was transversal to all product categories in the last 5 years. Till 2014 the frozen food market is expected to accelerate growth, achieving a high of 3,9% between 2011 and 2013 and a low of 3,5% in 2014.

In 2009 the world frozen food market surpassed the barrier of \$160 Billion, having a compound annual growth rate (CAGR) of 3,5% between 2005 and 2009. During the same period the Americas and the Asia-Pacific markets grew, respectively,

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<sup>4</sup> Exhibit 5

3% and 4,7%, hitting \$51,3 and \$44,7 Billions of sales in the same year. It should be analyzed another figure to, in order to have a full overview of the frozen food market, Market Consumption. Between 2005 and 2010, consumption grew with a CAGR of 2,7%, and it is expected to grow, between 2011 and 2014, with a CAGR of 3%. The European frozen food market generated total revenues of \$65,8 Billions in 2009, representing a CAGR of 3,1% between 2005 and 2009. Market consumption volumes increased with a CAGR of 1.9% between 2005 and 2009 and is expected to have a CAGR of 2% for the 2011-2014 period.

There are two categories in the frozen food market that are, by a far distance, the most lucrative ones, the frozen meat products, representing 38,7% of the market with sales reaching \$64 Billions, and the frozen ready meals and pizzas, representing 32,9% of the market with sales reaching \$54,5 Billions.

The performance of the market is forecast to accelerate, with an anticipated CAGR of 3.8% for the five- year period 2009-2014, which is expected to drive the market to a value of \$199.5 billion by the end of 2014. Comparatively, the Americas and Asia-Pacific markets will grow with CAGRs of 3.6% and 4.9% respectively, over the same period, to reach respective values of \$61.3 billion and \$56.8 billion in 2014. In Europe the market is expected to have a CAGR of 3.3% for the five- year period 2009-2014, which is expected to drive the market to a value of \$77.3 billion by the end of 2014.

### **Frozen Food in Portugal**

It is possible to identify a slight increase in the Frozen food market, where either the quantity or the sales' value are following a positive pattern. Although the Frozen market is slightly growing, the Frozen ready meals sector is clearly reducing their share since 2008. In one hand, Frozen food sales increased from 550 millions in 2008 to 580

millions in 2010, on the other hand the frozen ready meals segment decreased sales from 65,6 millions in 2009 to 62,8 millions in 2010. From 2008 to 2010 the Ready meals sector shrunk from 11,5% to 10,4%, regarding the sales' value. If we take into account the quantity of sales, the decrease is even steeper due to the decline from 9,3% to 7,8% of the market. The biggest tumbles came from Ready Lasagnas and Canelones. Although those Italian dishes suffered real decreases, there were two frozen foods that suffered a real setback, the Pastries and the Soups. The most impressive growth came from another Italian dish, Pizzas, growing 5% in 2 years.

From the whole competition (M. Bellini, 4Salti,Pascoal, Ricci Pasta, MDD's), the only one that had an increase in sales, as Eurofrozen had, was the MDD's (White-Label Products). While Eurofrozen increased market share in 2010 to 7 %, MDD's increased market share to 13,5%. Eurofrozen's most significant increases were the rice dishes and the whole segment of codfish recipes, due to its traditional appealing. Regarding the Frozen ready meals sector, Nielsen said that without innovation the sector with decrease 15% in 2010.

Regarding the place where sales take place,the growth of Cozinha Pronta continues to cross the Mass Market ,Ricci Pasta taking serious increases in the major surfaces and Iglo Cooking in the great supers.

As a sum up, innovation will be, in the future, the major benchmark that should be followed by frozen ready-meals producers if they want to keep fighting the negative tendencies that are hitting Portugal nowadays.

### **Criteria of Country Selection<sup>5</sup>**

The selected market should be an opportunity in which Eurofrozen could at the same time enter in a place where the middle upper class is growing significantly, while

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<sup>5</sup> Exhibit 6 and 7



having the possibility, if the process becomes a success, of opening the main door to one of the most interesting continents to invest in the 21<sup>st</sup> century (Brazil is one of the biggest exporters to the Latin and South Americas). Brazil currently exports 21% of its production of processed food and drink items. In 2009, Brazilian Food and Drink sector exported US\$ 31 billion.

Brazil has a broad and sophisticated industrial base and the government continues its program of privatization and deregulation. There is also a growing middle class in Brazil who has real spending power and which appreciates high quality merchandise. If a product or service is generally competitive in world markets it is also likely to be so in Brazil. Brazilian food industry grows by 14% per year (domestic market), it is responsible for 9% of Brazilian GDP and generates over 100 thousand jobs.

I should ask myself four questions, and if the answers are what I expect Brazil becomes a viable solution: -Whether there is a market for my product in Brazil (Frozen ready meals are almost non-existent, while starting to have a significant demand for them); -should I be targeting particular niches? (I will be targeting particular niches due to the increase of the upper middle class); -can Eurofrozen be competitive in Brazil? (it can, because it will use technology that due to its non-existence in Brazil, will itself be a competitive advantage); -can I get a decent partnership that could benefit both sides? (Yes I can. Wall-mart and Perdigão will be perfect matches. Joining forces with a Brazilian partner can be beneficial if I wish to sell direct to the Brazilian domestic market. I will be able to take advantage of the Brazilian partner's contacts and local knowledge, while they in turn benefit from technology transfer of Eurofrozen's expertise in other areas.).

## **Brazil's Frozen Food Sector<sup>6</sup>**

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<sup>6</sup> Exhibit 8

The frozen food market will be analyzed taking food-processing companies as players. The key buyers will be taken as retailers, and producers of grains, fruit and vegetables, and meat and fish as the key suppliers. The Brazilian frozen food market is concentrated with the top three players accounting for 67.8% of the total market value.

The Brazilian frozen food market has the presence of leading players like Sadia, Perdigao(Sadia+Perdigão=Brasil foods), and Rezende Alimentos. Larger retailers, such as supermarkets, can make large purchases and negotiate on price with manufacturers, boosting buyer power. Retailers are unlikely to be swayed by brand loyalty, but they will have to stock brands preferred by consumers. The threat of new entrants is moderate due to high capital investments and the presence of well-established brands. Substitutes to frozen food include fresh products as well as canned and dried goods, which pose a moderate threat. High fixed costs and exit barriers intensify rivalry in the market.

The major buyers within the Brazilian frozen food market are considered to be supermarkets and hypermarkets (about 73% of the total distribution) which offer frozen food products to their customers. Larger retailers, such as supermarkets, can make large purchases and negotiate on price with manufacturers, boosting buyer power.

From the point of view of consumers, the main substitute for frozen foods is fresh produce, which is generally considered by consumers to be of higher quality, although it has a disadvantage of having a shorter shelf life. Alternative substitutes include canned and dried products, and they offer similar benefits of convenience and extended storage lifetime. Retailers, aiming to meet consumer demand, will tend to stock all kinds of produce. Dried products are less of a threat, as fewer foods can be successfully dried than frozen; canned foods have the advantage (from a retailer's perspective) of not needing to be stored in freezers. In any case, few consumers will want to rely

completely on frozen products for their non- perishable food needs, and the threat of substitutes is assessed as moderate.

Regarding rivalry, Eurofrozen would not encounter a real competition in the Frozen ready-meals sector due to the inexistence of real competitors in this area. Frozen ready-meals account for only 2,2% of the whole frozen market and the most significant share represent pizzas' sales.

### **Mode of Entry**

Companies must handle international business operations on their own or collaborate with other companies. Their choice is influenced externally by physical and societal factors and by their competitive environment. Their choice is also influenced by their objectives and strategies.

After studying Eurofrozen's competitive advantages and resources, I decided to divide its mode of entry in the Brazilian market in two different phases in order to create a sustainable business model in which Eurofrozen could maximize its potential while minimizing the risk of becoming financially not solvable due to the investment. This plan will begin with a simple process of direct exportation in which Eurofrozen will sell its products to a known retailer (Wall-mart), followed by a joint-venture with Perdigão (one of the biggest worldwide producers of frozen meat.), with the major objective of producing, with efforts from both sides, white label frozen ready meals with the margin on white label products would going between 15% and 20%. It is essential to state that Perdigão has not any kind of expertise regarding the Production of frozen ready meals. By introducing, in the first phase, its own products to the Brazilian market, Eurofrozen will be entering one of the most attractive markets nowadays. This strategic move will give Eurofrozen the opportunity to increase sales, minimize risk, regarding the possible failures of other markets that could damage its sales due to economic instability, and

finally, achieving economies of scale higher than Portugal due to Brazil's potential customer base. Brazil's Frozen food sector has one loophole, which is the inexistence of frozen ready meals, which could give Eurofrozen , the edge of becoming one of the first companies to address the lack of this kind of products. This phase will also become an opportunity to study the Brazilian market, carefully, in order to create products that could more easily answer the potential demand. During this first phase, Eurofrozen's margin, through the Wall-mart channel, is 30%, meaning that this margin will have to cover all operation costs. As a sum up, this phase will serve to give Eurofrozen knowledge to be better prepared for the 2<sup>nd</sup> phase.

During the first phase of implementation, Eurofrozen's products will be taxed with 5 different taxes:-II;-IPI;-PIS/Pasep;-Cofins;-ICMS. These 5 different taxes will increase the products price by 40%.

It is important for Eurofrozen to make such a daring move into Brazil, and it should be taken, seriously, the confidence that it has on its specific skills, but it wouldn't be a wise move to enter in the Brazilian market with neither partnerships or agreements with entities that already know the market for a long time. Either AICEP or CEB(Clube de Empresários do Brazil) do not agree for small companies to enter in such a market with no domestic support. The 2<sup>nd</sup> phase will, essentially, be a Joint-Venture in which Eurofrozen will join efforts with Perdigão in order to build a small assembly line, primarily funded by it, in which Eurofrozen would apply its expertise to produce white label products.

I believe it would only be relevant, during the first years of internationalization, to sell in the southeast states (São Paulo, Rio de Janeiro, Espírito Santo, Minas Gerais) , the richer states. The main criteria for the definition of regions was the amount and density of firms operating in the region because we assume that, the more enterprises

are in the state, bigger the number of people that could be potential customers of frozen ready meals.

Wall-mart was already contacted by Eurofrozen with the objective of starting the whole process, meaning that both parties are ready to sit down and negotiate. On the other hand, Perdigão would be a suitable partner because they are looking in the market for someone that has the necessary expertise to create an assembly line in one of its plants, to produce frozen ready-meals.

### **Implementation<sup>7</sup>**

With the intent of going abroad there's the need to design an implementation plan. The one I established has a duration of 3-5 years. In it, it is possible to visualize all the activities required for the internationalization and the optimal time to execute them. The plan starts in January 2012.

The implementation plan will have two different phases, as I told before, in which Eurofrozen will have different objectives. During the first phase Eurofrozen will try to cover costs for the first year, followed by an expected increase between 50% and 100% in the next three years, which would permit sales to increase from 449.266,667 € (sales needed to cover costs) to almost a million. The increase in sales will be essential to cover the initial investment in the marketing plan created by Manzini. If this objective was to be fulfilled Eurofrozen would increase exports from one million €, nowadays, to an astounding two million €. The company would be entering a new and attractive market, while spreading the business risk and increasing Cozinha Pronta's sales. If after those three years the major objective is attained, Eurofrozen could plan the possibility

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<sup>7</sup> Exhibit 9

of opening a warehouse in which could manage not only sales to Wall-mart but to other consumers, meaning other distributors that become attracted by Eurofrozen's products.

The second phase would only make sense if the first one were to be a success due to the necessity of investing a great amount of funds. Although it seems to be too ambitious for Eurofrozen standards, it is a fact that Perdigão is looking out for a partner that could share costs and expertise in a project to create an assembly line that could start producing frozen ready-meals.

As a sum up, I think Eurofrozen is fully prepared to face such a daring internationalization to Brazil, in which could take its competitive advantage to an attractive market that craves for quality and innovation.

### **Men, Money, Minute and Memo<sup>8</sup>**

The implementation plan is essential for the success of Eurofrozen's internationalization process thus I needed an effective monitor tool to supervise the whole process, thoroughly. I applied the most convenient tool, the 4 M's, which gives me the opportunity to approach 4 different strands of the implementation plan, Men, Money, Minute and Memos.

#### **Men**

The basis of Eurofrozen's Implementation plan will have two phases, having each phase specific human capital needs. During the first one, exportation, the company will hire three new employees, the commercial director, one Brazilian commercial assistant that reports to Portugal and one element of the administration, dealing with the insertion of orders in the system, dealing with all the logistical support and all kinds of certificates and all invoicing procedures. At the same time, but with no adding costs to

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<sup>8</sup> Exhibit 10 and 11

the process, R&D department will be developing possible recipes that could have a higher acceptance by Brazilian consumers, such as codfish derivatives which are known and very much appreciated by them.

During the second phase of implementation, there will be five new employees that will be hired due to the increase of activities that will happen during this phase. As I told before, this phase will be characterized by the implementation of one assembly line in one of Perdigão's plants in order to produce White Label products. As a consequence, it will be necessary to support the production and freezing processes of the frozen ready meals in which Eurofrozen has more expertise than Perdigão.

### **Money**

Eurofrozen will have a certain amount of costs that will be specific to each one of the implementation phases.

In the first phase, the main costs will be the annual salaries of the 3 employees that will be hired, which will vary between 1500€ and 4000€, with possible end of the year bonuses, according each one's performance. As Eurofrozen will take control of all operations, in the beginning, from Portugal, it will be necessary to travel a lot in order to quickly progress each operation (round-up plane tickets will cost between 550-850 €). It is also essential to state all living expenses, such as the hotel, transport and food, which will fluctuate according to the days and the hotels. Finally, the whole set of office materials will not become a cost due to the free supply from HIPOGEST SGPS, which is the main shareholder. Due to the margin that Wall-mart would be able to work with us (30%) and with all costs summed, Eurofrozen would have to sell 465933,333 € in order for the business to be solvable.

Regarding the costs from the second phase, the amount will take different proportions due to the cost of the machinery necessary to implement the production of White Label products and the adding employees necessary to run them.

### Minute

#### Minute

Activity		Dependency
1	Contact AICEP and CEB	
2	Acknowledging the Brazilian legislation	1
3	Legislation on FDI	1,2
4	Hiring a consultancy firm	
5	Head-hunter company	1,2,3
6	Formation to all new employees	5
7	Training	6
8	Hiring publicity agency	4
9	Marketing plan to Brazil	8
10	Hiring a Brazilian tasting company	8
11	New recipes	10
12	Adapting packaging to the Brazilian market	8,9,10
13	Consider possible increase in investment for the warehouse	all

### Memo

Strategic Theme	Objectives	Measurement	Target	Initiative
Financial	Increase sales' revenue	Sales revenue; Margins	1st Year-cover costs; Increase sales from 50% to 100% in 3 years	Partnership with Wall-mart and Manzini(Marketing)
Customer	Being recognized in Brazil by its quality and innovation	Market research with Wall-mart and Manzini	90% awareness on the customer (distributor) and 30% on the final customer	Partnership with Wall-mart and Manzini(Marketing)
Internal	Recruit Brazilian Workers	According performance with the company's	1st Year-cover costs; Increase sales from 50% to 100% in 3 years	Training and Recruiting



		objectives (sales)		
Learning	Have a specific sector of the webpage designed for the Brazilian consumer	Time to implement	Have everything ready in six months	Create recipe's tips for all meals

### **Contingency Plan**

If business does not go according to the plan, in each phase, there are a few things that Eurofrozen can do. During the first phase, if sales do not surpass the annual cost of the project, Eurofrozen will fire the respective employees that were hired for the Brazil operation, while putting an end to the contracts that are still in effect, with the whole cost that will come with this decision.

Regarding the second phase, the costs that will come by giving up on the project will be much higher due to the necessity of firing 4 people that will impose all compensations to be paid and the necessity of convincing Perdigão to buy Eurofrozen's share of the business. In both cases, it is difficult to account the specific cost that would come with the dissolution of either contracts or agreements.

### **Conclusion**

By the end of the implementation analysis I conclude that it would be a good decision of Eurofrozen to go to Brazil due to its market attractiveness in the frozen food sector, mainly due to the lack of frozen ready-meals options, giving Eurofrozen the opportunity to fill that loophole. I would also recommend and conclude that partnerships and alliances would be very important to the success of the company abroad.

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A Work Project, presented as part of the requirement for the Award of a Masters Degree  
in Management from the Faculdade de Economia da Universidade Nova de Lisboa

## **Appendix**

**“EUROFROZEN - INTERNATIONAL STRATEGIC IMPLEMENTATION PLAN TO BRAZIL”**

Carlos Hipólito Alves Mendes Pires

Number 580

A Project carried out on the Management course, with the supervision of:

Professora Sónia Dahab

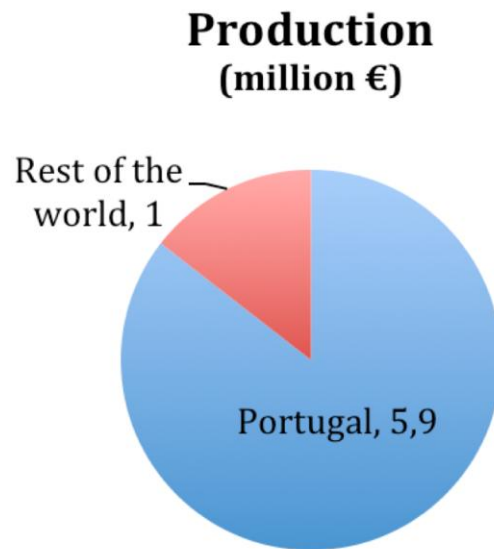
Professor Filipe Castro Soeiro

6<sup>th</sup> June 2011

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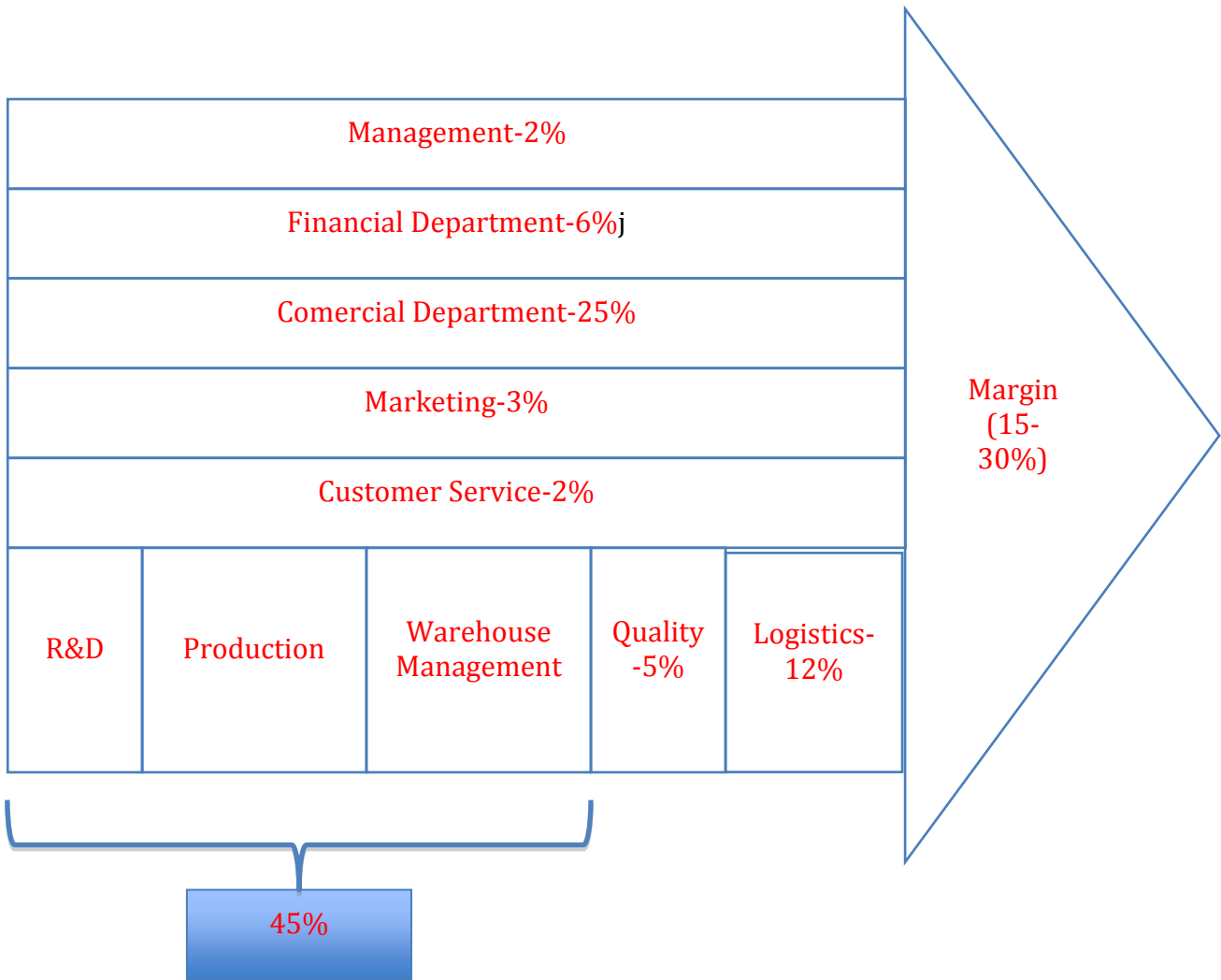
## Exhibit 1-Production



## Exhibit 2-Industry Mapping



### Exhibit 3-Value chain



## **Exhibit 4-Value chain**

There are 2 processes that should be classified as the defining moments of the life's beginning of every single frozen food produced by *Eurofrozen*:-“Clients’ order”, which is a request done by one of our clients(*Sonae, Jerónimo Martins*) in order to produce a specific “White Label” product for them ;-“Marketing Department’s order”, which is a proposal of a new product, done by Eurofrozen’s marketing department, that will answer a certain need of the market, meaning, that there was detected a loophole in the market which wasn’t still approached by our competitors.

I will approach both processes, while explaining the different implications of each kind of these orders. The “Client’s order”, first of all, is not a guaranteed deal, because the client sends its order to a significant number of producers, the one offering the best conditions gets the contract to produce it. I will use *Sonae* as an example, because it is one of Eurofrozen’s biggest clients .In the beginning *Sonae* sends a request, of the product they want, with all the specifications inherent to it .In the request there are 3 important steps:-Physical specifications;-Target;-The price target .Regarding the physical specifications, *Sonae* describes all kinds of raw-materials used in the production and the %’s of each element that should be used .The Target refers to the competition that the product will have in the market, meaning which are the frozen foods that could , easily, substitute our product .This is important in order to forecast sales and to understand which is the price range that our product should be in .And finally, the Price target, which is really the most important issue , being the major responsible of all tough negotiations between Eurofrozen and the client .From the price target, Eurofrozen’s Custeo department, will define which is the exact cost of the product, analyzing 3 subjects:-Eurofrozen’s margin;-Client’s margin;-The prices of the raw-materials .Eurofrozen’s has to work, always, with the worst possible scenario,



meaning that it needs to take into account the lowest margins , being very difficult to make any requirements to the Supermarket chains, meaning they have all the power .Then, the Custeo department will decide if the production is viable, and if not, it has 2 ways of making it cheaper, by tuning the recipe or by decreasing the packaging's price .During the development of the process, Eurofrozen sends samples to the client, in order for them to be analyzed by the client's supervision board .After this process , Eurofrozen either gets the contract or not .If Eurofrozen gets the deal , it will be sent the packaging layout (artes-finais) by the client , and it will send them to the graphic company .The graphic company will, as soon as possible, send all packages(carton, cuvettes, plastic film which is the cheapest) to Eurofrozen's plant, with no additional costs.

The "Marketing Department's order" is focused on Eurofrozen's major brand, Cozinha Pronta .In order to be, always, in tune with the market, Eurofrozen's marketing department should be in constant market analysis, thus being able to detect possible loopholes and answering them as fast as it is humanly possible .If there is a loophole detected, the Marketing department will fill a "Development Solicitation", which will go directly to the R&D department .The members of the department will analyze the product, create a significant number of variations of the same recipe, and then it will define the raw-materials needed to produce it .The recipes will be further analyzed by the inner panel tasting(all departments are included), which should have a majority of 75% in order to be authorized to start its full production .The Purchase department will analyze this list, trying to get the raw-materials at its best prices .In this process the sample system is reactivated again, in order to get the guarantee of the raw-materials quality .Once the purchase is done, the producers will transport the raw-materials to Eurofrozen's plant, with no additional costs .Eurofrozen's label, Cozinha Pronta, has its

own packaging, which was created by RMAC, a famous design agency .All products have the same packaging, with certain differences, being the major one the different “Raw-materials’ Photo” .This photo is one of Eurofrozen’s major trademarks, meaning that all products have in the front of the package an image of the raw-materials used to produce it .Once a new product is created the packaging process works the same way(the graphic company transports everything to the plant), with one exception, which is the photo section, that needs to take place in order to photograph the raw-materials used in the production . Once a product has its production started, it could take up to 2 days in order to be ready to go to the distributors’ logistic centers. Cozinha pronta’s products have much higher margins due to its higher quality, as a consequence, the target price is bigger .As I told before, the decision if one recipe is authorized or not , comes from the inner panel tasting, which decides if it is good enough to be marketed or if it isn’t cost feasible .If one recipe is not approved it will go the waiting list, which is a list of recipes that are being improved or that are waiting for technological developments in order to become cost feasible .At the moment there are 2 important recipes in the waiting list:-veal stuffing;-Apple puree .

Regarding the production process, there are a few issues that should be analyzed .All weekly programming is structured between 2 numbers, the actual stock and the product sales .If it is a new product, the production is based on the company’s predictions, if it is a “White Label” product, the production is based on the client’s (Sonae) predictions.

The Purchase department, after looking to the production programming, analyses what does it have in stock, of either raw-materials or packages, and then decides if it is necessary to acquire more or not. Till Tuesday, the production department sends all its requests to the Purchase department, of the following week .The Purchase department

has no argument to fail, because all suppliers have bi-weekly deliveries .If a new product is introduced in the system, there is a period of 2 weeks, that the process takes to become efficient .In the previous day, the Warehouse department prepares all needed materials(raw-materials ,packages machines should be working perfectly) for the production of the following day.

Once the production is done, it goes to the freezing tunnels, for about 2 hours, and then it goes to the intermediate tunnel before being packaged .It is important to understand that the packaging is done accordingly to the client. Let's take the spinach as an example, because once it is produced it is packaged into 3 different types. There is the spinach that goes to H3 (the hamburger food chain), which is simply packaged with big cuvettes and plastic film, the one that goes to the Food service channel which is packaged in bigger cuvettes and plastic film, and the one that goes to the Supermarket chains, which is packaged in small cuvettes, carton and plastic film .

Once the production is done, Eurofrozen delivers all orders to its clients, meaning that the transport companies are hired by Eurofrozen, and have the obligation of delivering them to the Logistic centers of each client. There are 2 companies working at the moment with Eurofrozen, Gelcentro, responsible for the distribution of the channel Horeca (Hotels, Restaurants) and the food service (catering companies); SDF is the one responsible for the big deliveries to the Logistic centrals of each client .Eurofrozen has one small truck in order to make, either small sample deliveries to the clients, or to make product tasting in supermarkets.

With each delivery, it goes a "Delivery Note", which is immediately registered, by Eurofrozen and the Client, in EDI, which is a platform that has all billing history between the 2 identities .It is defined, beforehand, the payment term, which if not

respected is immediately addressed by one specific employee in the financial department.

The Quality department is present in the whole process with the appliance of the management of non-conformities, which is a system based on sampling the product in all phases of production, in order to detect possible system failures and product' defects .

## **Exhibit 5-World's Frozen Food Competitive Landscape and Segmentation**

**Market Segmentation-** The frozen food market is divided into 6 categories: - Frozen Meat products (38,7%); -Frozen ready meals and Pizzas (32,9%); -Frozen fish/seafood (9,4%); -Frozen fruit and vegetables (8%); -Frozen bakery and desserts (6,9%); -Frozen potato products (4%). The market is divided in 3 areas: -Europe (41,9%); -Americas (31%); -Asia-pacific (27%). In Europe the Frozen meat products' category accounts for 45,8% of the market, followed by the Frozen ready meals that account for 25,4% of the market. The most significant markets are, Germany, UK and Italy, representing 14%, 12% and 10% of the European market, respectively.

**Market Share-** The market has 3 major players that have significant shares throughout the world: -Perdigão Agroindustrial S.A (3,2%; Brazil); -Nestle S.A (3%; France); -H.J. Heinz Company (2,4%;USA); -Others(91,3%). In Europe the 3 major players are: - Perdigão Agroindustrial S.A (7,7%); -Unilever (4,9%; British-Dutch); -Permira.

**Competitive Landscape-**The frozen food market will be analyzed taking into consideration 3 different entities, the food processing companies as the major players, the retailers as the key buyers and and producers of grains, fruit and vegetables, and meat and fish as the key suppliers. The global frozen food market is highly fragmented

with the top three players accounting for 8.7% of the total market value. The global frozen food market has the presence of leading players like Perdigao Agroindustrial, Nestle and H.J. Heinz Company. Larger retailers, such as supermarkets, can make large purchases and negotiate on price with manufacturers, boosting buyer power (The major buyers within the global frozen food market are considered to be supermarkets and hypermarkets with 68.5% of the total distribution). Retailers are unlikely to be swayed by brand loyalty, but they will have to stock brands preferred by consumers. The threat of new entrants is moderate due to high capital investments and the presence of well-established brands. Substitutes to frozen food include fresh products as well as canned and dried goods, which pose a moderate threat. Players obtain the inputs through two methods. They may purchase them in the open market, in which case they have little control over prices, and often use techniques such as hedging to mitigate the impact of price fluctuations. Alternatively, they may negotiate supply contracts with growers and farmers, wherein fixed-term contracts with periodically negotiated prices are common.. Rivalry in the market is intensified by high fixed costs and exit barriers. The setting up of a frozen food manufacturing facility and marketing of frozen food involve large capital outlay. Consequently, small, low-key ventures would be unlikely to succeed in the global frozen food market. Flash freezing is an industrial process that is very difficult to perform without the knowledge of technical aspects. The demand for frozen food is largely driven by consumer demand. Brand loyalty can be a significant factor. It can be difficult for a new company to be successful in an industry of well established local brands(companies like Eurofrozen which are the main producers of white label products). Access to good distribution channels may be difficult. Furthermore, it is difficult to set up reliable supply chains, especially for perishable raw materials. Shelf space is a vital but finite resource, and it may be difficult to persuade retailers to

allocate it to a new player's frozen foods, especially in highly competitive food retail markets.. However, steady growth in the market in recent years alleviates rivalry to an extent.

### **Exhibit 6-Brazil's Consumers-Middle Class**

The Brazilian middle class is fast becoming the biggest segment of the market. Historically Brazil had a reputation of having an extremely unequally distributed wealth, however along with the steady economical growth in this economical powerhouse, the middle class has also been growing. Today, it is fair to say that Brazil has a decently sized middle class and each year that passes, more and more Brazilians are entering the middle class and enjoy a higher purchasing power.

As can be seen, class A & B make up the upper income classes; class C is the "official" middle class; class D constitutes the lower middle class and class E is the lowest income segment.

The Brazilian middle class (C) has increased from 65,9 million to 91,8 million people in only 5 years during 2003 to 2008, while the upper middle class has increased from 13,3 million to 19,4 million. At the end of 2008, the total amount of consumers in Brazil belongs to class A, B and C, already made up no less than 111 million consumers. These three classes are possible consumers of Eurofrozen products, with class A and B having no limitations on the food consumption.

Throughout these classes there is an increase in the number of people that spend less than 30 minutes a day preparing all food arrangements, which makes them possible healthy frozen food consumers, thus Eurofrozen consumers.

### **Exhibit 7-Brazil Food's Description**

## **Brazil Foods**

BRF-Brasil Foods S.A. (formerly Perdigao S.A.) is engaged in the production and sale of poultry, pork, beef, cuts, milk, dairy products and processed food products. It exports its products to more than 110 countries. The company operates in Europe, Asia and Americas. It is headquartered in Sao Paulo, Brazil and employs 59,008 people.

The company's poultry products include frozen whole and cut chickens, partridges and quail. It also produces frozen pork and beef cuts. The company operates 41 meat processing plants, 15 milk and dairy products processing plants, four pasta processing plants, one dessert processing plant, three margarine processing plants, and three soybean processing plants.

The company's processed food products produce processed foods, such as marinated, frozen chicken, Chester rooster and turkey meat, specialty meats, frozen processed foods, frozen prepared entrees and dairy products.

The specialty meats division processes pork to produce specialty meats, such as sausages, ham products, bologna, frankfurters, salamis and bacon. It also processes chicken and other poultry to produce specialty meats, such as chicken sausages, chicken hot dogs and chicken bologna.

The frozen processed meats produce a range of frozen processed poultry, beef and pork products, including hamburgers, steaks, breaded meat products, kibes (a type of Middle Eastern beef patty popular in Brazil) and meatballs. It also produces soy-based vegetarian products, such as hamburgers and breaded products.

The marinated poultry produces marinated and seasoned chickens, roosters (under the Chester brand) and turkeys. The company entered the dairy products business through the acquisition of a controlling interest in Batavia. The company produces and sells a range of dairy-based and dairy processed products, ranging from flavored milks,

yogurts, fruit juices, soybean-based drinks, cheeses and desserts.

The company produces a range of frozen prepared entrees, some of which contain poultry, beef and pork meat including: Lasagnas and Pizzas; a range of frozen vegetables, such as broccoli, cauliflower, peas, French beans, French fries and cassava fries; Cheese Bread; and a range of pies and pastries, such as chicken and heart-of-palm pies and lime pies.

The company also produces animal feed principally to feed poultry and hogs raised by it. It also offers pet food for dogs under the brands Balance and Supper. It produces a limited range of soy-based products, including soy meal and refined soy flour.

The company conducts its business through four operating subsidiaries: Crossban Holdings GMBH, a holding company of international subsidiaries; Perdigao International, a principal export subsidiary; Perdix International Foods Comercio International, a distributor for exports to the European Union; and Plusfood Groep BV, a holding company of international subsidiaries.

Perdigao operates a production structure made up of 20 industrial units in the states of Rio Grande do Sul, Parana, Santa Catarina, Sao Paulo, Goias, Distrito Federal and Mato Grosso (13 owned and three outsourced meat plants, one soybean crushing plant and three dairy-processed and dessert product units). The company has a portfolio of more than 2,500 items (SKUs), sold under the brand names of Perdigao, Perdix, Batavo, Chester, Apreciatta, Borella, Halal, Turma da Monica, Sulina, Alnoor, Toque de Sabor, Light & Elegant, Escolha Saudavel, Confidence, Fazenda, Confianca, Unef, BFF and Nabrasa.

The company entered into a strategic alliance with Unilever Brazil Ltda. for the management of Becel and Becel ProActiv brands of margarine in Brazil.



The company has a network of 24 distribution centers encompassing a logistics structure for the distribution of meats and dairy processed products – 15 owned and nine outsourced in addition to nine outsourced distributors and 35 cross-docking transit points in Brazil. Perdigao also has a distribution center in Europe and a presence in more than 100 countries with international sales offices operating in seven of them. The company has offices in the Far and Middle East, the United Kingdom, Japan, Russia, Holland and France.

In March 2009, Perdigao Agroindustrial merged into Brazil Foods.

In 2010, the company launched a line of frozen turkey and grain products marketed under the Perdigao Graos (Grains) brand name.

### **Exhibit 8-Brazil’s Frozen Food Market**

<b>Frozen Foods Consumption</b>	
<b>Frozen meat products</b>	<b>93.2%</b>
<b>Frozen ready meals and pizza</b>	<b>2.2%</b>
<b>Frozen potato products</b>	<b>1.5%</b>
<b>Frozen bakery and desserts</b>	<b>1.3%</b>
<b>Frozen fish/seafood</b>	<b>1.1%</b>
<b>Frozen fruit and vegetables</b>	<b>0.8%</b>

### **Exhibit 9-Sales Strategy and Tactics**

I consider the main objective of tactics and sales’ strategy is making the product reach the widest base of potential clients with aiming the percentage of those that will

become recurrent customers. Eurofrozen will create a set of strategies that permit them to create a competitive advantage based both on price and differentiation. Eurofrozen will use all kinds of techniques in order to achieve its objectives, including Media, Promo, Display and Price. This set of strands will permit Eurofrozen to create a wide base of customers, proving them that eating frozen ready meals from Eurofrozen is the healthiest option in the market and that this option will save customers time that could be spent with their family and friends.

The frozen food sector continues to invest a great amount of funds in advertising in 2010 versus 2009 with a strong focus on TV. The pizzas are continuing to invest heavily in TV advertising, weighing more than half of total investment in the frozen food sector. The main market players are betting only on TV. Although Eurofrozen has much fewer financial resources than the main competitors, TV exposure should be studied carefully, because it is the most effective media instrument. This instrument gains even more power in bigger countries, such as Brazil, where the logistics could become a serious issue.

Eurofrozen's exposure should also become present in the press, due to the fact that immediately after TV, it is the strongest promotional arm, and because it could be much cheaper than TV. Eurofrozen is going to be present: -on the major culinary magazines;- on the footer of a great number of magazines;- on all types of supermarket promotional magazines;- on the shopping carts' advertising posters;- leaflets and special displays in the major chains.

And finally, maybe the most important instrument in the launch of a new brand, product's tasting with Eurofrozen's promoters throughout the year, in order for customers to taste and have a 1st contact with all kinds of products. It is essential to state that all strategies will be designed and implemented with the support of

Manzini(marketing company) which assured me that a suited marketing plan, for a company that wanted to start selling food products in Brazil, would not cost less than 100,000 €.

### **Exhibit 10-Men, Money, Minute and Memo**

What is the 4 M's? It is a tool with 4 different dimensions in order to monitor the implementation process. Men-Quantify, qualify and detail (by function) all Human Resources' needs, and define all tasks for each worker; Money- assessment of all kinds of costs, Operational, Human Resources, other spendings and all possible investments; Minute- The defining of the schedule of all steps, possibly being sequential or parallel. Memos- It is the strategy map of the company to Brazil. In the following paragraphs I will try to analyse every single step of Eurofrozen's implementation plan.

#### **Men**

There will be four new employees:-Production expert(responsible for all engineering processes) ; -Quality manager(responsible to apply, in Perdigão's assembly line, the same quality standards used in Eurofrozen's plant ) ; -Marketing manager(responsible for the Brazilian market research) ; -An assistant from the R&D department that reports to Portugal. These four new elements will be one of the major pillars of Eurofrozen's partnership with Perdigão in Brazil. Before the implementation of these two phases, it will be necessary to hire one financial controller that could manage the relationship between Eurofrozen and Perdigão, during and after the negotiations.

#### **Money**

The new managers and the production expert will have wages between 3500€ and 4500€, which will greatly increase the annual budget.

In this phase Eurofrozen will have to acquire machinery necessary to produce four products(codfish derivatives and ready meals ,spinach ,pastries' variety), which is far from being cheap and far from being easy to handle and that's why the hiring of the production expert will be an essential step for the success of the plan. In order to start production it will be necessary to purchase:- 4 sets of industrial pans( $4*150.000\text{€}=600.000\text{€}$ );- 2 dispensers( $2*40.000\text{€}$ );- H.O.T.E, absorbing smoke system( $60.000\text{€}$ );- Freezing Tunnels( $500.000\text{€}$ );- Salty cakes machine( $150.000\text{€}$ );- Pastry machine( $550.000\text{€}$ ). After some easy math, it is possible to account a possible investment of 1.440.000€ for both parties, Eurofrozen and Perdigão. Eurofrozen's shareholders gave the administration the green light to invest till 500.000 of equity in 2011, which permit me to come to one conclusion, Eurofrozen is ready to enter between 20%-35% of the whole investment, which is acceptable to Perdigão to keep the control of the partnership. This investment has the potential of producing 10 million € of production per year.

### Exhibit 11-Costs of the First phase

Initial Investment	Marketing Expenses	100000
	Office Supplies	2000
Annual Budget	Wages	112000
	Interests (7%)	7000
	Plane Tickets+Living expenses	$3900(650*6)+5000$
	Office	$11800(990*12)$
	Total	139780
	Sales needed to cover costs(30% margin)	465933,333

## Exhibit 12-Minute

### Minute

Activity	1 month	2 month	3 month	4 month	5 month	6 month	7 month	8 month	9 month	10 month	11 month	12 month
1 Contact AICEP AND CEB												
2 Acknowledging the Brazilian legislation												
3 Legislation on FDI												
4 Hiring a consultancy firm												
5 Headhunter company												
6 Formation to all new employees												
7 Training												
8 Hiring publicity agency												
9 Marketing plan to Brazil												
10 Hiring a brazilian tasting company												
11 New recipes												
12 Addapting packaging to the Brazilian market												
13 Consider possible increase in investment for the warehouse												

## **Exhibit 13-Risk Analysis**

**Business Model & Partnerships**-A major risk of this implementation plan is the fact that the Business Model depends highly on partners, as I have described before. In this way, in case Eurofrozen is unable to establish any suitable partnership or in case that, partners do not perform their tasks, then the success of Eurofrozen in the Brazilian market is highly compromised. There is also the risk that, as partners will have a part in promoting the image of Eurofrozen, if they underperform in their own core activities or while promoting the product this will affect negatively our image. Another risk arises from the fact that there is a need for constant improvement of the product without which the competitive advantage would be jeopardized. **Financial**-The high investment, in the second phase, in this project has some consequences for the financial situation of Eurofrozen during the internationalization process. Due to this budgetary constraint, there will be some pressure to generate revenues in the short/medium-term and limits to the company's expenditures in other areas. **Operational**-Eurofrozen is a small company and may not have enough capability to answer a demand of their products larger than predicted in the first stages as it would take time to hire extra workers and give them specific training. **Implementation**-When preparing my internationalization plan I tried to design it in a way that would avoid and minimize the possible risks. Although, there was a clear limitation to my work that leads to the risk that the plan I defined is flawed and/or not adapted to the Brazilian market – the fact that the products (specific recipes created to the Brazilian market) have not been created yet.

