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Kwafina: Internationalization Plan

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Title

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Abstract

This Work Project develops a possible suggestion of how and where Kwafina, an Angolan firm, should internationalize to the European food market. The proposed methodology is used for identifying potential foreign markets and to identify the entry mode that best fits the firm's strategy. Screening, identification, and selection characterize the three stages in the evaluation of potential foreign markets and the identification of possible entry modes are based on the proposed theoretical framework.

Key words: Internationalization, Market Selection, Entry mode, Kwafina

Introduction

There are multiple reasons why Small and Medium sized Enterprise (SME) decide to move into international markets, which can either be part of a proactive (pull factors) – decide to move by themselves due to favorable conditions in foreign markets that make international expansion attractive - or reactive (push factors) - in response to several pressures, including unfavorable trends in the domestic market that compel firms to explore opportunities beyond national borders – strategy (O'Farrell & Wood, 1994). But the real important decisions are: where and how to internationalize.

Throughout this work, it will be examined if Kwafina, the pineapple producer analyzed, is ready to internationalize to the European market, and by which country and entry mode should start its internationalization. Therefore, the main goal of this work project is to determine the where – market selection - and the how – entry mode – of this expansion.

A crucial step in developing a global expansion strategy is the selection of potential target markets deciding, then, where to internationalize, by using GMMSO4 program as a market selection tool. In order to reach to a conclusion, a four-step procedure for the initial screening process will be done: 1) Select indicators and collect data; 2) Determine importance of country indicators; 3) Rate the countries on each indicator; 4) Compute overall score for each country.

Specific considerations have to be taken into account in order to select the best potential target markets. For example, the region that will be targeted has to make sense for the firms' strategy and cultural similarity with the target market may matter, since it will make it easier to understand the new market.

Additionally, it was needed to research for how to enter the market, by analyzing which where the possible entry modes accordingly with the degree of resource commitment and knowledge of the market that the firm is willing to take.

Literature Review

Nowadays, most firms feel pressure to expand to new markets in order to grow and they must identify the appropriate market(s) for expansion, especially considering (1) if "it can be a major determinant of success or failure, particularly in the early stages of internationalization"; (2) "the nature and location of [the] selected markets affect the firm's ability to co-ordinate its foreign operations"; and (3) "establishing bases in foreign markets can be a key element in the firm's global competitive strategy" (O'Farrell & Wood, 1994: p. 246). Accordingly to Kumar et al. (1994: p.31), the process can be summarized in three stages: a) screening stage, b) identification stage, and c) selection stage.

Past research on the evaluation of potential foreign markets can be classified under two types: a) descriptive or qualitative approach, and b) quantitative/statistical approach. More specifically, Papadopoulos & Denis (1988) state that although the qualitative approach to evaluate potential foreign markets is systematic, it is also open to potential biases both from the subjective judgment of the decision maker, and from the provider of the information and advice. Ultimately, this approach limits the number of countries that can be analyzed before the final selection is made.

Considering the strategies adopted by the quantitative studies, Kumar et al. (1994: pp.31-32) states the three more common: "a) market clustering approach based on similarities of criteria to create clusters of country-segments, b) market potential estimation approach based on a variety of indicators (e.g., market size) to assess the industry market potential and suggest an optimal set of country-segments suitable for entry, and c) demand analysis approach based on assessing the potential demand for the firm's products in the target market to suggest a possible set of country-segments to enter".

Although the irrefutable importance of the aforementioned methods, within the international market selection literature the theory most widely accepted is that of internationalization via psychic distance, introduced by Wiedersheim-Paul (1972), Johanson and Wiedersheim-Paul (1975), and Johanson and Vahlne (1977). Psychic distance refers to actor's perceptions of a foreign country, which encompasses the human awareness, understanding, and the disturbance in information flows between organizations and foreign markets caused by actors' perceptions (Ojala, 2015).

Additionally, geographic and cultural distance should also be taken into consideration when analyzing the markets, since these concepts also have an impact on the manager's decision.

Geographic distance is the physical separation between two places, usually connecting the physical space between the headquarters of the firm and the foreign location in which it is selling or exploring possible sales (Ojala, 2015).

Cultural distance can be referred as the dissimilarities between groups of people regarding values, communication styles, and stereotypes (Ojala, 2015). This distance is significant since, according to Ojala (2015), uncertainty avoidance and power distance had a significant, but negative impact on the risk-taking level of SMEs, which can be minimized when cultural differences are smaller. With smaller cultural distance, it is easier/consumes less time to build trustful relationships with local partners, which will facilitate business negotiations and the formation of network relationships (Kontinen, 2011; Kontinen & Ojala, 2010).

A significant part of International Market Selection (IMS) research is based on the idea that country markets with relatively unimpeded information flows tend to be the first option for firms that want to internationalize, since these countries can be better understood by managers (Brewer, 2001). Therefore, interfirm networks of alliances, personal relationships, and experiences are influential in explaining the internationalization process and the stages model (Bell 1995).

According to several authors, many aspects of the internationalization process and entry mode research have been addressed in the literature. Theories about international expansion and FDI contribute to an understanding of the internationalization of firms, providing the theoretical background needed. These include the theory of IPLC, market imperfections theory, strategic behavior theory, resource advantage (RA) theory, transaction cost analysis (TCA) theory, eclectic theory of international production, internationalization theory, and network theory (Malhotra et al., 2003). After a deep analysis, it was reached to the conclusion that the Internationalization Theory was the one that would better fit this specific case.

According to Internationalization theory (Malhotra et al., 2003), the level of market commitment – amount of resources committed/invested in a given market - becomes higher as the degree of commitment also increases - difficulty of finding an alternative use for the resources and transferring them to an alternative use. In other words, market commitment leads to a higher degree of commitment, which will lead to a higher degree of market knowledge and so on, creating experiential knowledge, and firm-specific skills.

Relevant market knowledge can be gained from other sources rather than the company's own experience when market conditions are stable and homogeneous. Additionally, firms with considerable experience of markets may be able to generalize their experience to any specific market with similar conditions, achieving higher degree of commitment more rapidly. Nevertheless, knowledge can be gained through external recruitment and not only through firm experience, which will also influence the initial degree of commitment of the firm.

The firm can resort to different entry modes with low, moderate or high control strategies, in which the levels of control available to the focal firm over foreign operations, resource commitment, flexibility and risk vary accordingly. These entry mode include exporting, contractual arrangements, such as licensing and franchising, joint ventures, strategic alliances, and wholly owned foreign direct investment (FDI), including greenfield investments and mergers and acquisitions (Malhotra et al., 2003).

Methodology

Kwafina was selected for this analysis due to its interest in starting to commercialize outside Angola, with a particular interest in Portugal, in 2016. Thus, in order to analyze the international markets for Kwafina, in particular the entry conditions in Europe, the GMMSO4 program was used - an online management planning tool designed to aid research of global markets and develop international marketing plans and strategies. The program is based on three modules, but we will only be using the first two. The objective of Module 1 is for project teams and/or management to conduct a company situation analysis and the objective of Module 2 is to identify the country with the highest market potential for a company, using a country attractiveness screening process consisting of three stages, and determine the most effective entry mode strategy for the targeted country.

An interview was developed in order to obtain reliable information from the firm and from the market. The interview was administered through e-mail to the Angolan representative of Kwafina in Portugal, Mr. José Martins. The interview was originally written in Portuguese, the native language of the firm, and then translated into English. Additionally, in order to assure that the needs of the company would be satisfied, two meetings occurred in person at June 25, 2015 and October 7, 2015, in which written notes were taken.

Secondary data was also used in order to compare the attractiveness of the international markets, especially the European one, resorting to databases as:

DataBase	Website
CBI Market Information Database	www.cbi.eu
College of Tropical Agriculture and Human Resources	www.ctahr.hawaii.edu
European Commission	ec.europa.eu
European Parliament	www.europarl.europa.eu
Food Careers – European Commission	www.foodcareers.eu
NOVAGRIM	www.novagrim.com
OECD	www.oecd.org
UNCTAD	www.unctad.info
United Nations Development Programme	hdr.undp.org
USAID	www.usaid.gov
US Government	www.export.gov
WTO – World Trade Organization	www.wto.org

Sources of secondary information - Table 1

Findings

MODULE 1: Understanding the company's Strategic Position

In the first phase, a company situation analysis was conducted, in order to accomplish more effective and targeted results.

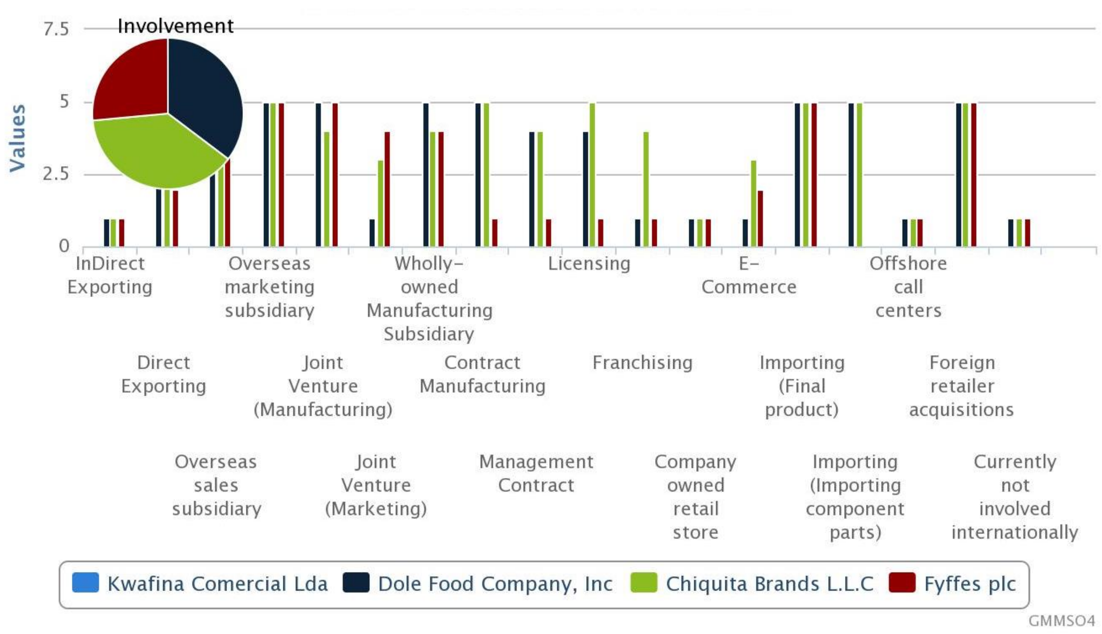
Kwafina Comercial Lda is a family company that started as a cultural firm, but, over the time, it was decided to expand to the food (agriculture) industry. Nowadays, due to some adverse conditions, the agricultural sector is the only one active, being the cultural sector inactive for now. The present focus is, essentially, on the production of pineapples for the domestic and international markets, which are both mature markets with no significant growth. However, an expansion to other exotic fruits is possible in the long run.

The firm was created in 2012 and has not sold any product yet. However, the firm was established based on the same goals as the previous firm hold by Martins' family, which was dismantled in the 1960s, during the Civil War in Angola. Currently, the Headquarters of Kwafina is in Benguela, Angola, and it already owns a subsidiary in Lisbon, Portugal – Tchafina. Due to this subsidiary, the firm wishes to expand internationally primarily in Europe. Therefore, the analysis will be restricted to the current European market.

At the moment, Kwafina only produces Cayenne pineapples. This pineapples are a source of important vitamins and minerals such as thiamin, riboflavin, vitamin B-6, folate, pantothenic acid, magnesium, manganese and potassium and antioxidants and polyphenols, such as beta-carotene. Additionally, fresh pineapple is the only known source of an enzyme called bromelain, which has been used in studies to determine its effectiveness in easing joint pain, arthritis, reduce inflammation, inhibit tumor growth and shorten recovery time following plastic surgery, being a product for consumers of all ages and with all types of lifestyles.

The firm offers the product with two different calibers: Caliber 5/6 that will be sold to factories; and Caliber 8/9/10 that will be sold to supermarkets/retailers. The average weight of these pineapples is between 1,1kg and 1,2kg and the product will be transported in cardboard boxes (60x40cm), with the identification of the company, registration plant, caliber, origin and variety of the product. To attain better results, the firm will be focused on a Business level strategy based on best level and cost leadership, but with some differentiation on taste and quality level, being the price of the product between 0.5€/Kg and 1.2€/Kg.

As already mentioned, the firm will operate in a mature market, in which other companies already operate. These competitors follow the same current trends of healthy natural products, corporate social responsibility (CSR) and convenience followed by end consumers. In the European Market, specifically in the trade of fresh pineapple, three firms stand out - Dole Food Company, Inc, Chiquita Brands L.L.C and Fyffes plc -, due to their sales volume. It was reached to conclusion that Chiquita Brands L.L.C (38.24%) is the strongest competitor in the European industry, regarding the distribution of pineapple, followed by Fyffes plc (35.29%) and Dole Food Company (26.47%), after a screening of the firms' activity. What mainly differentiate the companies is the chosen entry mode, in which Chiquita has a strong presence on E-Commerce and Franchising, as carefully demonstrated in figure 1.



Methods of International Involvement – Fig. 1

But how can this industry be characterized? In a short Competitive Analysis of the Industry, it can be identified five different forces that impact competition, profit potential, and demand.

The threat of new entry is high due to the lower economies of scale existent in the industry, originated by a low performance on growth of labor productivity. If small firms exploited product differentiation, future developments might be more positive, which would make niche products continue to emerge and would provide consumers with unique products, particularly within the high-end market. Additionally, switching costs are negligible in this industry, since the highly standardized or codified products translate into almost zero costs to the main buyers in this industry (supermarkets/retailers). Also, existing producers and wholesalers are based on long relationships and the competition for shelf space is tough. The above mentioned barriers do not only affect the entry of new competitors, but also increase the competitiveness between the industry rivals.

Moreover, the industry has a weak position against the retailers, since they can easily find another food processor or wholesaler with an almost identical range of products within comparable quality standards, meaning that the threat of substitutes is high. The supplier's power is low as environmental policies and regulations restrict the action of the producers, which are also typically small and offer similar products, making it easier to substitute them. Finally, in this industry, retailers are the main buyers, or at least the ones with higher power, and they use it to claim prices and conditions that are not always suitable to their suppliers. Also, the increasing share of private labels underlines the bargaining power of retailers, making them a medium-high threat to the industry.

In addition to the previous analysis, a SWOT analysis was also performed.

Strengths	**Weaknesses**
(1) Pineapple, the product of the firm, can be consumed fresh, canned, juiced, and it can be found in a wide array of food stuffs - dessert, fruit salad, jam, yogurt, ice cream, candy, and as a complement to meat dishes. This diversity gives to the firm an expanded number of potential buyers. (2) The increasing consumption of plant foods like pineapples decreases the risk of obesity and overall mortality, diabetes, heart disease and promotes a healthy complexion and hair, increased energy, overall lower weight. Additionally, pineapple's possible health benefits include: Age-related macular degeneration; Asthma prevention; lower blood pressure; it can also help to fight skin damage caused by the sun and pollution. As the product is beneficial to the consumers' wealth, it becomes a more attractive product that follows the food market trend. (3) The production of the firm is already big, which can create scales economies. (4) The firm owns currently 700 hectares of land, tractors and agricultural equipment and tools and a warehouse for the product, having already the physical resources needed. (5) The current employees already have knowledge and experience in the field of pineapple cultivation, with more than 40 years in some cases. The employees also know the area of production, as well as of Umbundu dialect and cultural practices in the production zone, which facilitate the development and distribution process, circulation, etc. (6) The company has a team specialized in public relations that will be crucial when the firm starts commercializing.	(1) The quality and quantity of the fruit are highly affected by weather conditions. (2) In the domestic country, the firm still has to hire employees since the production is small compared to what the firm intends to have. The international involvement is only handled by one person and it is not structured yet, meaning that the human resources are still not complete. (3) The company is located in a zone with easy access to all type of transportation but do not have the resources to enjoy it, having to resort to external services. (4) The firm is still not operational and it is suffering internal changes. (5) As the firm is new, it can face some additional challenges compared to its competitors. (6) Company Domestic PLC – Introduction. (7) Company International PLC - International Introduction. (8) Industry Domestic PLC – Maturity. (9) Industry International PLC – Maturity. (10) The firm is negotiating a funding with an investment partner, being not ready right now to bear the whole cost of the investment by itself. (11) Intellectual property will be acquired in a near future.

Opportunities	Threats
(1) The distribution channels in the domestic country are diverse, which reduce the risks of delay transportation. (2) The domestic government creates incentives to new investors, which decrease the cost of production. (3) The available workforce in the domestic country is abundant. (4) The natural and organic food products segment is considered one of the categories with fastest growth, due to the significant increase of the consumers' number, in the last few years, that give preference to healthy food mainly in order to avoid lifestyle-based disorders, such as cardiovascular diseases, obesity, osteoporosis and diabetes. (5) The EU market is fragmented, meaning that the entry barriers are lower. (6) The food retail industry in Europe has witnessed strong growth in recent years. According to a MarketLine report published in July 2014, related with Fyffes plc, the European food retail industry grew at a compounded annual growth rate (CAGR) of 2.3% from $1,696.7 billion in 2009 to reach a value of $1,858.4 billion in 2013. The European food retail industry is forecast to have a value of $2,175.5 billion in 2018, an increase of 17.1% since 2013.	(1) The whole industry is highly depend on the climate that is changing. (2) In the domestic country, the levels of corruption are high, which increases the cost of product and delays the transactions. (3) The degree of development of basic infrastructures in the domestic market is low, creating difficulties in the production and distribution of the product. (4) Exports can be delayed by the high levels of bureaucracy in the domestic market. (5) Highly regulated industry - Stringent government regulations could increase the company's compliance costs. (6) The lower population growth in the EU can restrict the growth of the food industry. (7) Although the EU market is fragmented, the bargaining power of the retailers is getting stronger due to their larger scale. (8) Countries as Costa Rica and Brazil have a strong presence is the pineapple market.

SWOT Analysis – Table 2

The major strengths of the firm found were: the nature of the product commercialized, the pineapple, which is a fruit with medical properties that consumers seek in order to have a healthy diet; and the resources that the firm already possesses, making it possible to produce for the domestic and the international markets. But the firm does not only enjoys strengths, it also has some weaknesses as performing in a mature market, depending on external firms to distribute the product, as well as the lack of internal organization that still exists. The market also strongly influences the firm and is full of opportunities and threats. The major opportunities are the forecasted market growth until 2018 of 17.1% since 2003, as well as the new trend of healthier and more ethical food options followed by end consumers. Nevertheless, the threats also exist, being the major two the high level of corruption in the domestic market, which can delay the process of exportation, and the fact that the food industry is a highly regulated one, which implies higher control and expenses for the firm.

However, the firm can try to minimize the weaknesses while trying to seek the opportunities of the market. For example, although the industry is already mature, new trends have emerged that can open "doors" to Kwafina, since the industry is growing in the recent years and the forecasts predict a continuous growth for the next years. Additionally, the major weaknesses in the domestic country can be overcome by the new policies of the country, as well as the diverse distribution channels that give to the firm a broader number of options to choose from. Moreover, the company can use its existing strengths to manage the threats identified. The firm already has a public relations' team and has contacts in the domestic country due to their experience in the field, making it easier to deal with possible corruption and with bureaucracy. Furthermore, due to the high size of the plantation, the firm can create economies of scale that will increase its competitiveness against the strong players in the European market.

It is also important to notice the company's capability to use its strengths to take advantage of opportunities in new markets. As the new trends are making the food industry grow, new opportunities are emerging, especially in the natural and organic food products segment, to which the pineapple belongs. Therefore, as the product has a possible price advantage due to the economies of scale and the EU market is fragmented, the firm can take advantage of this opportunities.

Summarizing, the firm is ready to internationalize, since it can compete in the new market that is growing, by following the newest trends. The firm can bring pineapple with quality, at a competitive price, creating value in the European fresh fruit market. Nonetheless, the weaknesses and threats cannot be forgotten and have to be taken into consideration. The structure of the firm is not yet defined in the domestic country, which, consequently, makes the firm not able to expand by itself. Therefore, an investor is needed, but as the market is mature with a strong presence of international players, which makes this opportunity less attractive.

MODULE 2: The Search for Global Markets

In this second phase, it will be identified the European country with the highest market potential for the company, using a country attractiveness screening process consisting of three stages - Macro Level Criteria, Micro Level Criteria, and Accessibility Criteria -, and it will be determined the most effective entry mode strategy for the targeted country.

The criteria selected should assist the company to identify the country that offers the best business opportunity for the company based on the need/desire for the product, the market size and growth, the ability to purchase the product and the ability to enter the market. The chosen criteria has different weights (>0 and <100) and different relationship with its value – it can be positive (+ve) or negative (-ve), depending if the variable is favorable or unfavorable for the analysis.

Due to the pre-existent desire of the firm to enter the European market, the analysis was restricted to the European countries, as previously mentioned.

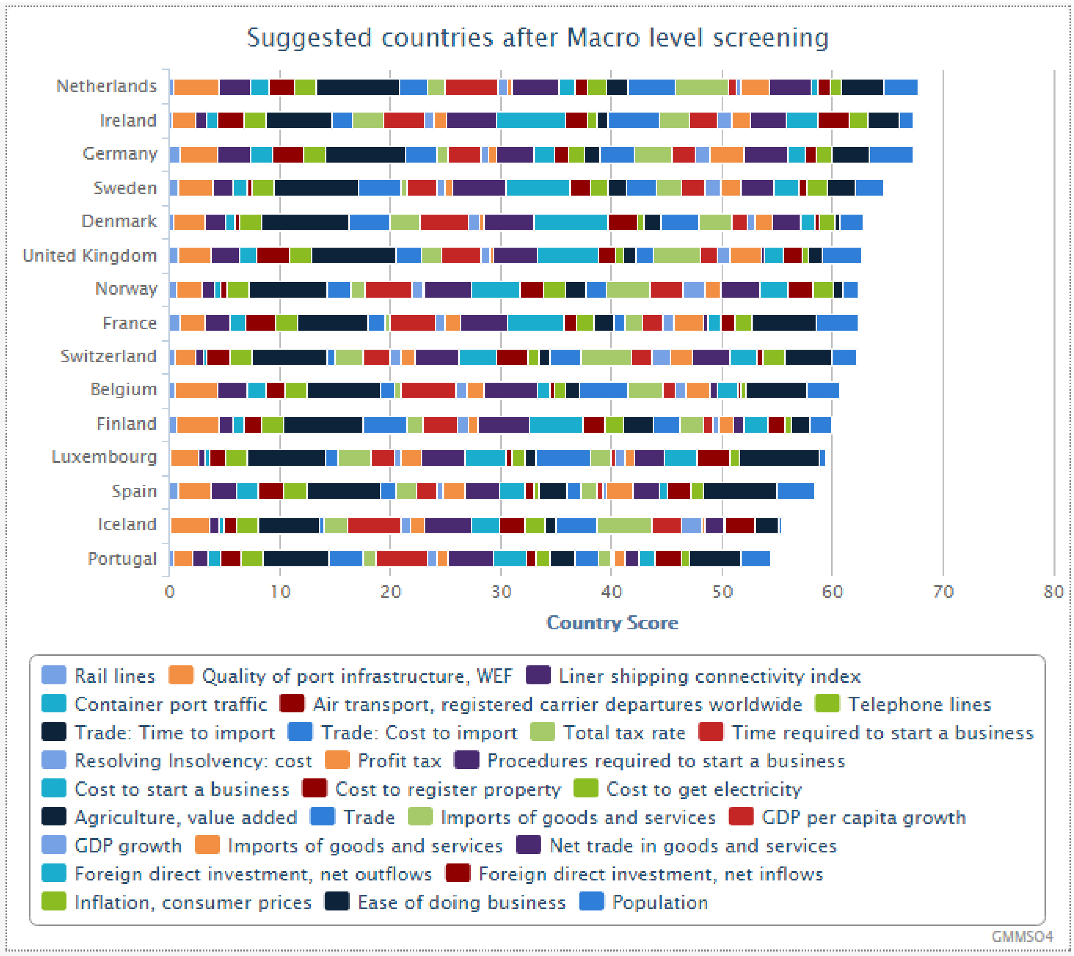
The first stage of this phase is the Macro Analysis, which has the purpose of identify the country with the highest market potential for the company's product/service, being divided into four categories – Economic, Demographic, Geographic and Socio-Cultural – with the following variables:

Macro Criteria	**(+ve/ -ve)**	**Measuring Units**	**Weight (%)**
Ease of doing business	+ve	1=easiest	8
Trade: Time to import	-ve	Days	8
Cost to start a business	-ve	% of income per capita	7
Procedures required to start a business	-ve	Number	5
Time required to start a business	-ve	Days	5
Trade	+ve	% of GDP	5
Imports of goods and services	+ve	Annual % growth	5
Net trade in goods and services	+ve	BoP, curremt US$ (Million)	4
Population	+ve	Million	4
Trade: Cost to import	-ve	US$ per container	4

Quality of port infrastructure, WEF	+ve	1=extremely underdeveloped to 7=well developed	4
Foreign direct investment, net inflows	+ve	% of GDP	3
Foreign direct investment, net outflows	+ve	% of GDP	3
Cost to register property	-ve	% of property value	3
Total tax rate	-ve	% of profit	3
Agriculture, value added	+ve	% of GDP	3
Imports of goods and services	+ve	BoP, current US$ (Million)	3
GDP per capita growth	+ve	Annual %	3
Air transport, registered carrier departures worldwide	+ve	Number	3
Liner shipping connectivity index	+ve	Maximum value in 2004=100	3
Cost to get electricity	-ve	% of income per capita	2
Profit tax	-ve	%	2
Inflation, consumer prices	-ve	Annual %	2
GDP growth	+ve	Annual %	2
Telephone lines	+ve	Number	2
Container port traffic	+ve	TEU: 20 foot equivalent units	2
Resolving Insolvency: cost	-ve	% of estate	1
Rail lines	+ve	Total route-km	1
		Total Weight:	100

Macro Criteria Analysis - Table 3

The program searched the data required for all the variables selected, suggesting in the end, according to the country scores, the subsequent countries:



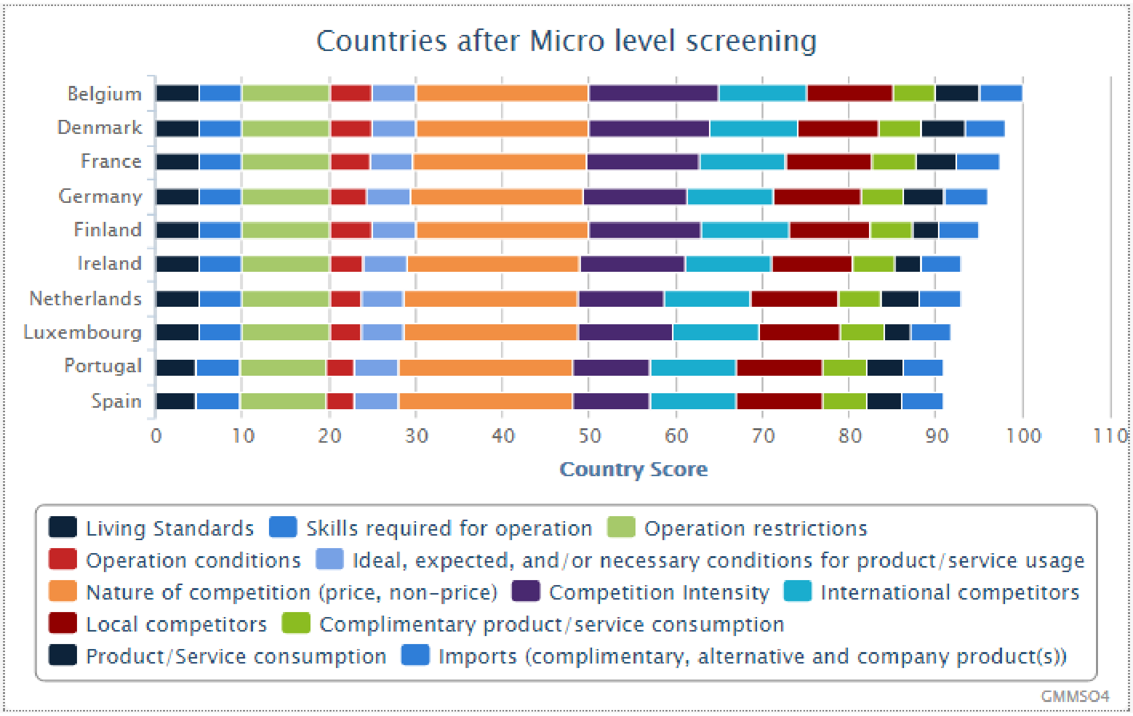
Suggested Countries - Fig. 2

These fifteen countries had to pass through the next stage. In this second stage, although all chosen criteria should be product/market specific, the micro level variables are specific to the attributes and benefits of the company's product and, therefore, had to be searched one by one, in different databases. In order to simplify, the Micro analysis depends on four main criteria – Production, Consumption, Competition and Operation/usage –, represented by the following variables:

Micro Criteria	**(+ve/ -ve)**	**DataBase**	**Weight (%)**
Nature of competition (price, non-price)	-ve	OECD	20
Competition Intensity	-ve	European Commission	15
International competitors	-ve	Previous Analysis	10
Operation restrictions	-ve	US Government	10
Local competitors	-ve	NOVAGRIM	10
Product/Service consumption	+ve	CBI Market Information Database	5
Ideal, expected, and/or necessary conditions for product/service usage	-ve	College of Tropical Agriculture and Human Resources	5
Operation conditions	+ve	European Commission	5
Skills required for operation	-ve	Food Careers – European Commission	5
Living Standards	+ve	United Nations Development Programme	5
Imports (complimentary, alternative and company product(s))	+ve	UNCTAD	5
Complimentary product/service consumption	+ve	No relevant complimentary product	5
		Total Weight:	100

Micro Criteria Analysis - Table 4

Thus, Belgium, Denmark, France, Germany, Finland, Ireland, Netherlands, Luxembourg, Portugal and Spain were filtered and achieved the third phase, the Accessibility analysis.



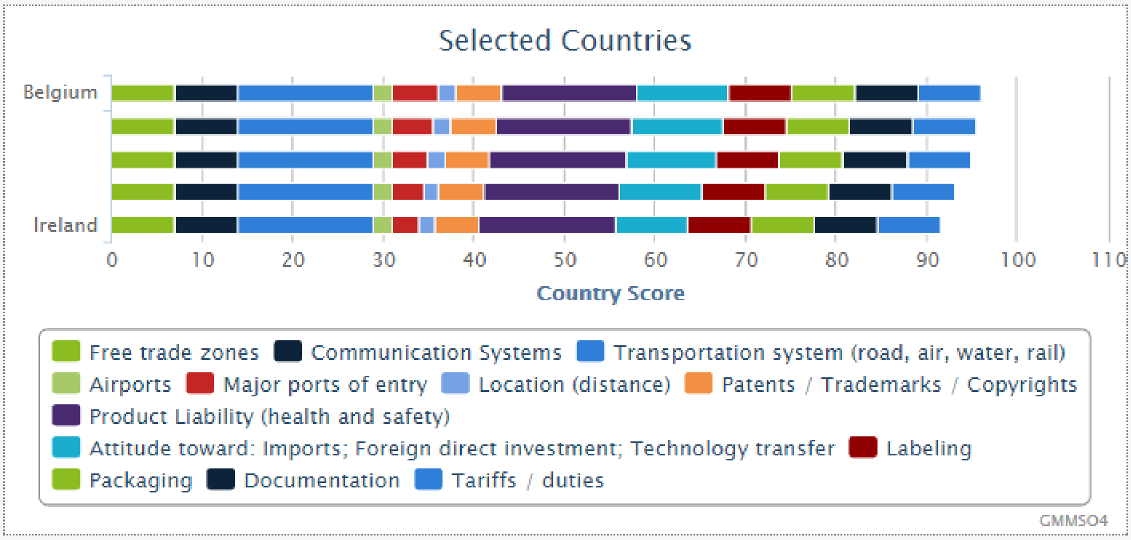
Suggested Countries - Fig. 3

The final stage of this phase plays an integral part in determining the success of entering foreign markets, even though access to market is quick to change. This accessibility criteria can be divided into four categories – Export Control, Host Country import controls, Political/legal assessment and Physical environment & infrastructure – in which the ten countries were analyzed according to different variables. It is important to notice that relevant information about all the selected variables was not possible to find for all countries.

Accessibility Criteria	**(+ve/ -ve)**	**Measuring Units**	**Weight (%)**
Transportation system (road, air, water, rail)	+ve	European Commission	15
Product liability (health and safety)	+ve	USAID	15
Attitude towards: Imports; Foreign direct investment, Technology transfer	+ve	WTO – World Trade Organization	10
Tariffs/Duties	-ve	European Commission	7.5
Documentation	-ve	USAID	7.5
Packaging	-ve	USAID	7.5
Labeling	-ve	European Commission	7.5
Communication Systems	+ve	European Commission	7.5
Free trade zones	+ve	European Commission	7.5
Major ports of entry	+ve	European Parliament	5
Patents/Trademarks/Copyrights	+ve	European Commission	5
Location (distance)	-ve	Direct flights	2.5
Airports	+ve	Number	2.5
		Total Weight:	100

Accessibility Criteria Analysis - Table 5

As a result, only five countries passed the last screening, being Belgium the top ranked country, followed by Denmark, France, Germany and Ireland.



Suggested Countries - Fig. 4

Although this analysis suggested the previous five countries as the best choices for the company, the managers also have to take into account other variables that were disregard so far in the analysis such as geographic, cultural and psychic distance.

Usually, firms tend to favor countries with low geographic distance since the environment in these countries is closer in terms of culture, language, business practices, and so on. But this preference is more accentuate when it is less expensive to operate in close countries than in countries with a greater geographic distance (Ojala et al., 2007). Moreover, firms also tend to choose countries with smaller cultural differences as this diminishes uncertainty and power distance, which have a significant and negative impact on the risk-taking level of SMEs. Small psychic distance is also a factor taken into account by firms, since as smaller the actor's perceptions of a foreign country are, the easier it is to expand for the new country.

Due to History, Portugal and Angola have an undeniable link that even today influences market trade. Colonial relations - based on historical events and migration patterns over long periods - give more importance to psychic and cultural distance and less importance to geographic distance as a moderator (Johanson & Wiedersheim-Paul, 1975), even though these are less stable (Shenkar, 2001). Thus, the link between the countries creates network relationships that may help small and new ventures to bridge distance dimensions (Ojala 2015), which minimizes the difficulty of creating trustful relationships, due to the short psychic distance that, ultimately, favors business relationships between these countries.

Kwafina has a relatively lower psychic distance with Portugal than with the top five countries, not only due to the colonial relations but also due to the fact that Kwafina's managers have strong links with Portugal, since they lived there almost their entire lives. Therefore, it will be easier for the firm to create network relationships with Portuguese firms, as managers are more familiar with the market and already have some contacts in the industry, which is theoretically supported by the internationalization theory. Moreover, geographic and cultural distance are smaller between Portugal and Angola than with any other European country, giving an advantage to this country. Additionally, Portugal is in the top ten countries in the previous analysis, making this country a top candidate, which reinforces the choice of Portugal as the first country to which Kwafina should expand to.

After the decision of the country, the entry mode needs to be selected. As presently Kwafina has a very limited knowledge of the market, it should not make great resource commitment, resorting thus to indirect or direct exporting - distributers or independent agents.

On one hand, indirect exporting involves contracting with an intermediary in the home country of the firm that will perform all export functions, often an export management company or a trading company - it is common among firms new to exporting with limited knowledge of the market. On the other hand, direct exporting consist of contracting with intermediaries - distributors or agents - in the foreign market, which perform downstream value-chain activities in the target market.

In this specific case, as the firm is entering in a completely different market from which it has no knowledge of, the safest choice would be to find a distributor that already operates in the new market, which will be responsible for the distribution of the product in Portugal, picking the product in an Angolan port. By doing this, Kwafina could learn how the markets work without compromising any resources and strengthen its future international involvement.

Conclusion

After the evaluation of the market, it was reached to the conclusion that Kwafina is ready to internationalize. The firm is pursuing international activities as its domestic market is mature and the European food market is open for new firms, giving the opportunity to firms as Kwafina to expand. In addition, Kwafina has a short cultural and psychic distance with the Portuguese market, as well as knowledge of the market, which gives to the firm a higher change of success in this specific country. In spite of this market selection, the firm should not forget about a future expansion within Europe, to countries as Belgium, Denmark, Germany, France and Ireland, after the acquisition of a higher degree of market knowledge, as this countries are the ones suggested by the program. Additionally, the presence of Kwafina in all this countries will give the chance to the firm to compete with international strong players as Dole Food Company, Inc, Chiquita Brands L.L.C and Fyffes plc.

Moreover, it was also achieved a conclusion about how to enter the Portuguese market. As the firm has limited market knowledge, the degree of commitment should also be limited. Therefore, the firm should choose the most feasible and suitable option, according with its vision and available resources, which involves the exportation of the product via independent representatives – a distributor – in order for the firm to enjoy the opportunity to learn how the market works – know the distributors, retailers and potential buyers -, to strengthen its future international involvement and to detect future opportunities in the market, without compromising resources.

Limitations and Recommendations

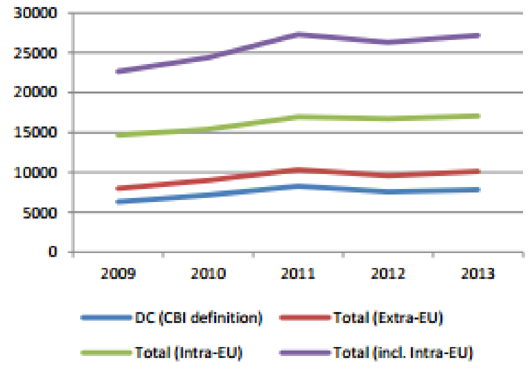
The previous analysis was based on the Program GMMSO4, which depends on variables that are not always easily found in databases or are not always updated. Therefore, some values may not be the most desirable ones. The analysis is also subjective, as it depends on the author's opinion on the subject.

Additionally, the literature regarding geographic, cultural and, especially, psychic distance is not consensual on their impact on firms, since researchers' studies exhibit little consistency of effects, being further research advised on the subject.

Moreover, although Portugal was the chosen country after the analysis, Kwafina should take into account the results suggested by GMMSO4, especially when considering future expansions within the European market, in specific for Belgium, Denmark, France, Germany and Ireland. After the expansion into Portugal, the firm will suffer from a reduced psychic distance from the rest of the European countries and it can reach new markets more easily. The firm can also decrease the existent psychic distance with other European countries by hiring managers with higher international experience, as managerial perceptions influence managerial decisions (Shenkar, 2001), or by educating the managers about international opportunities (Arbaugh et al., 2008).

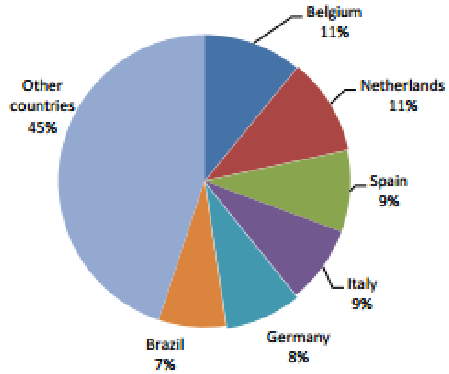
Kwafina should also consider to expand not only to other exotic fresh fruits, but also to processed food, since European imports of processed fruits and vegetables are increasing, as can be seen in the figures below.

European imports of processed fruits and vegetables, 2009-2013, in million euros – Fig. 5



Data source: Eurostat database COMEXT. Figure compiled by LEI Wageningen UR

Division of European total imports of processed fruits and vegetables by country of origin, 2013, in % of quantity – Fig. 6



Data source: Eurostat database COMEXT. Figure compiled by LEI Wageningen UR.

The market is growing due to the changing lifestyles, ageing population and a more pure and natural diet, as well as due to the increasingly importance of Corporate Social Responsibility and sustainability.

As a final recommendation, the firm must not forget to consider which are the suitable and feasible options for an exit mode if the firm do not succeed in the new market.

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