"Fernandes on the move"
Market Screening Tool for Fernandes

**Master thesis Business Administration
International management**

By

Linda Nalis

**University of Twente
Enschede, the Netherlands
June 2009**

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Supervisory Committee:
Ir. S.J. Maathuis
Prof. Dr. Ir. E.J. De Bruijn

Acknowledgement

This research is the result of a graduation assignment for the study MSc Business Administration; track International Management at the University of Twente. The assignment started on the basis of a request by the Fernandes Company; a soft drinks company that wants to internationalize its current activities.

This report gives insight into global market opportunity assessment and concludes with advices of which country is best to start doing international business and how to implement the market screening tool in the current activities of Fernandes.

I enjoyed writing this thesis, because it has given me more insight in exploring European markets, a subject that is in line with my interests. Furthermore, it was a nice and instructive way to apply knowledge gained during the master International Management.

I want to thank everybody who helped me during writing this thesis. Their advice and help supported me to complete this research.

First of all, I would like to thank my supervisors Mr. Ir. Maathuis and Mr. Prof. Dr. Ir. De Bruijn who guided me through the process of structuring and performing the research and creating this thesis.

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Enschede, June 2009

Linda Nalis

Summary

Fernandes is a Surinam company of which the soft drinks are licensed by Coca-Cola Enterprises the Netherlands. Fernandes is a soft drinks company that wants to enter the international market through export. At this moment, Fernandes soft drinks are being sold in Surinam and the Netherlands and the soft drinks have proved to be very successful over the last years and therefore the company wants to expand its business to the international market.
Prior to market entry it is important to make an estimation of potential market demand and to conduct a systematic and comprehensive assessment of global market opportunity.

The purpose of this thesis is to assist Fernandes in their efforts to expand in the European market by the development of a market/industry assessment tool and to offer guidelines on how to implement this tool.

The following problem was defined during this research:

> *"How can Fernandes analyze and compare the attractiveness of European soft drink markets?"*

To answer this problem definition, a market/industry screening tool has been developed during this research. This screening tool is used to compare the selected target countries on several internal and external indicators focusing on the company Fernandes and the soft drinks industry.

The screening tool is a gradual elimination method focusing on the internal and external analysis. The internal analysis shows the current situation to indicate what characteristics of Fernandes are of influence on the market screening tool. During the internal analysis Root's *'Factors in the Entry Mode Decision'* model has been used. This model received some adjustments by including the product/industry characteristics used by Cavusgil et al in the screening process.
From the internal analysis can be concluded that Fernandes operates in the fruit-flavored soft drink market, a very specific market with several major competitors also offering soft drinks from the Caribbean and already having years of experience doing business internationally. Fernandes should focus on brand awareness and make use of the CCE network if possible.

The external analysis includes two phases; the preliminary screening and in-depth screening and has been tested according to an application of the model to screen six target countries selected by Fernandes: Belgium, France, Germany, Turkey, Spain and the United Kingdom.
The Overall Market Opportunity Index of Cavusgil combined with the country ranking method of Cavusgil et al. provided the basis during the preliminary screening to measure market potential and to select the most promising target country.
After the preliminary screening, three countries were selected for in-depth screening: Belgium, Germany and the United Kingdom. Whereas the preliminary screening focused on overall market attractiveness, the in-depth screening focused on industry specific market potential with the use of the industry/market factors of Cavusgil et al.

The external analysis concluded that Germany offers the best opportunities for market entry. The preliminary screening indicators as well as the in-depth screening indicators pointed towards Germany as most promising country. Germany has a large market for carbonated soft drinks and consumers have a large preference for fruit-flavored carbonates. A drawback can be that Germany is not a CCE country. This means that Fernandes cannot make use of their network when doing business in Germany.

After the internal and external screening phases, global market opportunity assessment continues with analyzing competitive forces and visiting those countries that appear to have good prospects and selecting foreign business partner. It is advisable for Fernandes to hire an international export manager who continues the market assessment starting with Germany to get in contact with a local business partner in order to start exporting the Fernandes soft drinks.

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List of abbreviations

BSDA	British Soft Drinks Association
CCE	Coca-Cola Enterprises
CCE-BE	Coca-Cola Enterprises Belgium
CCE-Inc	Coca-Cola Enterprises Incorporate
CCE-NL	Coca-Cola Enterprises the Netherlands
FMCG	Fast Moving Consumer Good
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
OMOI	Overall Market Opportunity Index
PPP	Purchasing Power Parity
TCCC	The Coca-Cola Company

1. Research Plan

1.1 Introduction

This chapter presents an overview of the research that is conducted for Fernandes. First, the background and objective are described. Following, the problem formulation and research questions are outlined. In the final section, the research approach and research structure are presented.

1.2 Coca-Cola NL

The Dutch organization of Coca-Cola holds two different companies: Coca-Cola the Netherlands (Coca-Cola NL) and Coca-Cola Enterprises the Netherlands (CCE-NL).

Coca-Cola NL is a branch of the Coca-Cola Company. The Coca-Cola Company and its branches own the brands, do the marketing, and sell the basic concentrates to the bottlers.

CCE-NL is a subsidiary company of Coca-Cola Enterprises Incorporate (CCE-Inc). With over 19% of the total volume, this is the largest bottling company for the brands of The Coca-Cola Company worldwide (Corporate responsibility report Coca-Cola, 2007). CCE-NL bottles, distributes and sells beverages (Coke College, 2004) (see appendix 1; organizational scheme Coca-Cola NL).

1.3 Background and objective

Fernandes is an exotic Surinam drink invented by Isaak Fernandes. The Fernandes Company is founded by the Fernandes Family in Surinam in 1943. Since 1981, the products of Fernandes are also available on the Dutch market. Before 1981, the Surinam population brought the Fernandes soft drinks along to their families in the Netherlands. This was noticed by the Fernandes Company and in cooperation with CCE-NL Fernandes was introduced officially on the Dutch market in 1981. Fernandes is not a brand of the Coca-Cola Company; CCE-NL has a license for the production, distribution and sales of the products of Fernandes. Therefore The Coca-Cola Company is not in charge of advertising for Fernandes. This means that CCE-NL arranges the marketing policy of the products of Fernandes with its own budget.

Besides the five regular tastes of Fernandes (Green Punch, Cherry Bouquet, Super Pineapple, Cream Ginger and Red Grape) Fernandes added in 2008 the light version of Green Punch and Cherry Bouquet to attract a larger consumer group and to realize further growth of the Fernandes soft drinks.

Fernandes soft drinks are available in supermarkets, horeca and small stores. The growth of 2007 was 22% in volume (see appendix 2: overview Fernandes, 2004-2007). The bottles of Fernandes are produced by CCE-NL in their factory in Dongen. The cans with Fernandes soda are bottled in Gent, Belgium. The Fernandes Company delivers their products to the wholesale dealer and distribution centers, not directly to the retail outlets.

Fernandes divides their market in the Netherlands into three different channels which sell the Fernandes products (see appendix 3: Fernandes volumes in CCE-cases):

- The Traditional Channel

This channel is accountable for 35% of the total of sales. The traditional channel covers the ethnic wholesale dealers, like Far West import, SAFE, Oriental and Engel Foreign Food.

- The Home channel

The Home channel covers the large supermarkets with the overarching organizations KoopCom and SuperUnie. This channel is accountable for 40% of the total of sales.

- The Out of Home channel

This channel includes for example the Cash and Carry markets, the Makro and the Sligro. These wholesale dealers make 25% of the total of sales.

The user group of Fernandes is expanding. The Fernandes soft drinks are popular among both adults and youngsters. The brand Fernandes is one of the fastest growing brands in the industry of soft drinks in the Netherlands. In the last two years a growth has been realized of nearly 30%. Because of this large growth, Fernandes is broadening its view and is looking for new markets to enter through an export strategy.

The large growth and the ambition to enter foreign markets results into the following objective:

The objective of this research is to contribute to the ambition of Fernandes to grow internationally through the development of a foreign market screening tool and an application of this tool to six European countries.

1.4 Problem Formulation

The current situation of Fernandes is that the product is produced and sold in Suriname and in the Netherlands. Because of the large growth over the last years, CCE-NL would like to introduce the Fernandes product range in new prospect countries. There have been several small export deliveries (see appendix 3), but this has been done on request of the country itself, without an export plan. These export deliveries were more opportunity-driven and sales oriented, without long-lasting results. The total of international deliveries over 2007 counted 2.4% of the total sales of Fernandes. On the long-term the mission of Fernandes is to increase the number of the total export to foreign countries.

The problem is that the Fernandes Company would like to export to new countries, but the current situation shows that Fernandes has no insight which export markets are best to enter. Therefore this research will contribute to this growth ambition by developing a foreign market screening tool to research which of the chosen countries is best to enter.

The purpose of this thesis is to assist Fernandes in their efforts to expand to the European market by developing and implementing an export market assessment tool and to offer guidelines how to implement this tool.

Therefore, the problem can be formulated as follows:

> *"How can Fernandes analyze and compare the attractiveness of European soft drink markets?"*

The output of this research is a systematic approach to analyze market potential by gathering market information to analyze several internal en external factors, important to Fernandes. Furthermore an application to six potential target markets will be realized, with market entry screening methods. The result of this screening process will be a selection of one target country for the products of Fernandes.

The countries that will be screened during this research are: Belgium, France, Germany, Turkey, Spain and the United Kingdom.

1.5 Research questions

The objective of this research is to answer the problem formulation, as stated in the previous section. The central problem formulation is split into a number of research questions, each dealing with a manageable component of the central problem formulation. In order to find the answer to this problem formulation, *"the elements of an international market entry strategy"* model of Root (1994) will provide the basis of this thesis, as figure 1.1 shows. From this model can be seen that the constituent product/market entry strategies require decisions on (1) the choice of a target product/market, (2) the objectives and goals in the target market, (3) the choice of an entry mode to penetrate the target country, (4) the marketing plan to penetrate the target market, and (5) the control system to monitor performance in the target market (Root, 1994).
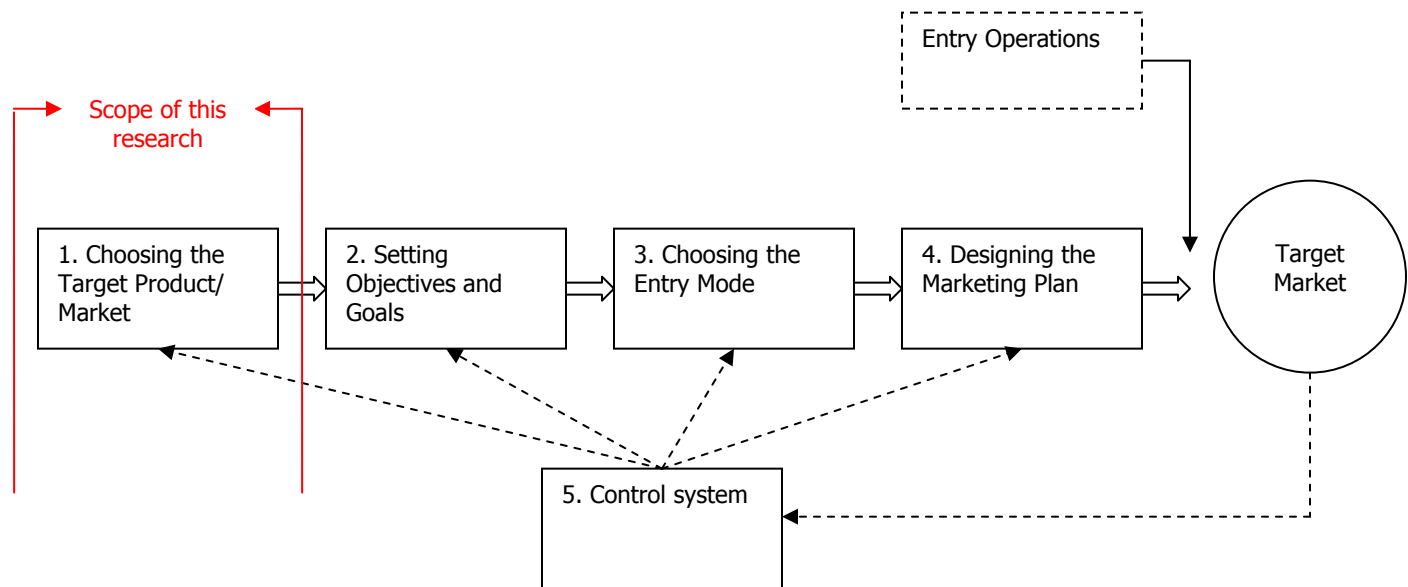
Figure 1.1: The Elements of an International Market Entry Strategy (Root, 1994)

The scope of this research will be the first element of the model of Root: choosing the target product/ market. For Fernandes, the products that will be used to enter a foreign market are known. Therefore the focus of this research is on choosing the target market. Fernandes requested to measure the feasibility of exporting to six target markets, selected by their management. These countries are: Belgium, France, Germany, Spain, Turkey and the United Kingdom. These countries will be screened according to a market screening model, developed for the company Fernandes.

The breakdown of the problem formulation structures the overall research; each of the research questions is answered in a separate chapter of this thesis. The research questions together will provide an answer to the total problem formulation.
Finally, the research will provide a market screening tool and advices to Fernandes about the feasibility of entering the six target markets. These results give an answer to the first element of the model of Root and therefore will support the process of strategy formulation of Fernandes. The next step is setting objectives and goals. It will be the choice of Fernandes whether or not to continue the export plans and thus to continue to follow the elements of the international market entry strategy.

Research question 1:
The design and outcomes of each market selection depends greatly on the external and internal circumstances. How a company responds to external factors depends on internal factors (Root, 1994). The internal factors will be measured with use of Root's model about entry mode selection. The first research question will analyze the internal factors of Fernandes. The model of Root focuses on product characteristics and resource and commitment factors. Root states that resource and commitment factors are very important in entering a foreign market. Therefore this research question will not only focus on product factors, like figure 1.1 shows, but it also includes the resource and commitment factors of Fernandes, to indicate the current situation and to show the potential of the company with regard to future international business success. As Root states, the degree of a company's commitment to international business is revealed by the role accorded to foreign market in corporate strategy, the status of the international organization, and the attitudes of managers.
The answer to the first research question will be the input for the second research question, because it makes clear what kinds of indicators are important to analyze in the potential target countries.

     1.   What are the characteristics of Fernandes influencing the market screening tool?

Research question 2:
The second research question covers the external environment; the country screening. In planning international market entry strategies, managers are striving to match products against markets. Therefore, during the second research question, the target country factors will be analyzed. By using market screening theory, a market screening model will be developed. This screening model includes two phases; the preliminary screening and in-depth screening and will be tested according to an application of the model to screen six target countries. During the preliminary screening the model will be applied to the selected target countries. After this first screening process, three target countries will be selected for in-depth screening. During this in-depth screening, the focus will be narrowed down to assessing the industry market potential for the most promising countries.

2. Which country market factors are important to consider when screening potential target markets for Fernandes?

Research question 3:
During the last research question, the most promising target country for Fernandes will be chosen. Furthermore, the implementation of the market screening tool will be explained with recommendations to the company Fernandes on how to use the model in the future. When adaptations in the Fernandes company are needed, these adaptations will be discussed in this chapter.

3. How should Fernandes use and implement the market screening model?

1.6 Research approach

This section describes the methods that have been used to give an answer to the research questions, as outlined above. The first stage of applied marketing research is the preliminary research. This research is intended to identify the dimensions of a problem. Preliminary research is often known as exploratory research, because it sets out to examine unknown territory in terms of the information available in the firm (Blythe, 2006, p. 214).

> *Exploratory studies are most typically done for three purposes: (1) to satisfy the researcher's curiosity and desire for better understanding, (2) to test the feasibility of undertaking a more extensive study, and (3) to develop the methods to be employed in any subsequent study (Babbie, 2004, p. 88).'*

1.6.1 Data collection

During the total research, secondary as well as primary data has been collected.

> *'In primary data collection, the researcher collects the data using methods such as interviews and questionnaires. The key point here is that the data that is collected is unique to the researcher and the research and, until it has been published, no one else has access to it'.*

> *'Secondary data is data that already is used before. Is it not unique to you; it has been collected for a different purpose than your own research (Kotler et al., 2001)'.*

Secondary data is usually low-cost and easier to collect. Furthermore with secondary data sources, data can be gathered that individual companies cannot collect; it is not available or the collection of the data is too expensive. A disadvantage of secondary data collection is that there is a possibility that not all required data can be gathered through secondary sources. The researcher needs to assess the secondary data carefully on relevance, validity, actuality and impartiality.
The research for this thesis started with the, mainly qualitative, collection of secondary data to orientate on the research topic and to get insight in the overall soft drink market.

> *'Qualitative analysis is the nonnumerical examination and interpretation of observations, for the purpose of discovering underlying meanings and patters of relationships. This approach predates qualitative analysis (Babbie, 2004)'.*

'Quantitative analysis is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect (Babbie, 2004)'.

Thereafter, the research focused on primary research in the situations where (the gathered) secondary information was inadequate and additional information was necessary. There are different techniques to collect primary data. In the first stage of the research, next to the secondary research, important people for the Fernandes Company in the Netherlands were interviewed. This information was required to give deeper insight in the organization, the distribution and sales and most of all the export possibilities. When other primary data methods were required in this research, this will be explained in the section where the information is used.

Examples of primary and secondary data as well as qualitative and quantitative data are reflected in figure 1.2.

	Secondary data	Primary data
Qualitative data	• Company reports • Complaint letters • Sales reps' reports	• Focus groups • In-depth interviews • Written responses
Quantitative data	• Past sales figures • Published market research • Customer records	• Questionnaire surveys • Observations • Experiments

Figure 1.2: Categories of data (Blythe, 2006)

1.7 Research structure

To conduct the research in a logical, sequential order, the research questions are structured in alignment with a research model, as presented in figure 1.3 on the next page.

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┌─────────────────────────────┐
│   1. Research Plan          │
└─────────────────────────────┘
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2. Theoretical framework: market analysis and comparison
→ With use of market screening theory a general market/industry screening model will be developed.

3. Adapting screening tool to the characteristics of Fernandes
→ Internal Analysis
• Research question 1:
What are the characteristics of Fernandes influencing the market screening tool?

4. Market Screening: testing of market/ industry screening model
→ Preliminary screening
→ In-depth screening
• Research question 2:
Which country market factors are important to consider when screening potential target markets for Fernandes?

Feedback

5. Adaptation and implementation of the market/industry screening tool
• Research question 3:
How should Fernandes use and implement the market screening model?

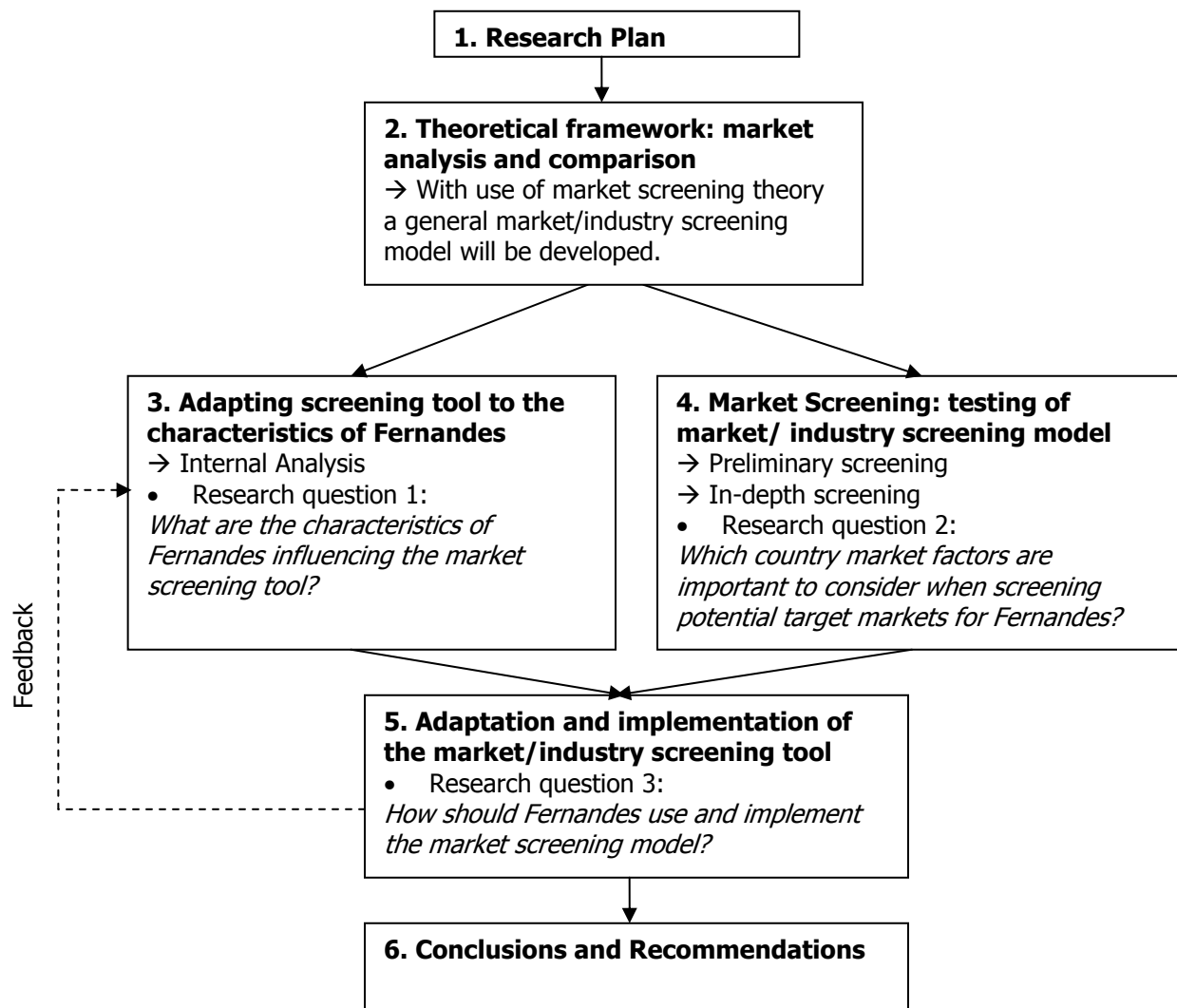**6. Conclusions and Recommendations**

Figure 1.3: structure of the research

2. Theoretical framework: market analysis and comparison

2.1 Introduction

This second chapter presents a description of the models and theories that have been applied in order to approach the research and to give an answer to the following problem formulation:

> *"How can Fernandes analyze and compare the attractiveness of European soft drink markets?"*

The main goal of a company entering into a foreign market is to try to increase their revenues, profits and market share. The main difference between domestic and international business is that transactions take place in more than one country and market environment. This difference causes the complexity and diversity in managing international business operations (Cavusgil, 2002).

The focus of this research will be on global market opportunity assessment. Central to this research is identifying and defining the best business opportunities in the global marketplace to pursue. Global market opportunity refers to a favorable combination of circumstances, locations, or timing that offers prospects for exporting investing, sourcing, or partnering in foreign markets (Cavusgil et al., 2008).

Cavusgil et al. (2008) discuss six key tasks that the manager should perform to define and pursue global market opportunities. These are:

(1) Analyze organizational readiness to internationalize.
(2) Assess the suitability of the firm's products and services for foreign markets.
(3) Screen countries to identify attractive target markets.
(4) Assess the industry market potential, or the market demand, for the product(s) or service(s) in selected target markets.
(5) Select qualified business partners, such as distributors or suppliers.
(6) Estimate company sales potential for each target market.

In carrying out this systematic process, the manager needs to employ objective selection criteria by which to market choices. During this research, the first four tasks will be covered. After analyzing these four steps, an advice will follow about the target country that provides the best opportunities to do business in. It is up to the management of Fernandes to use this advice and to decide whether or not to continue the process and to select qualified business partners and to make and estimation of the company sales potential of the selected target market.

The first two tasks will be combined and analyzed according to the product factors and resource/commitment factors in section 2.2 when selecting factors for the internal analysis. The third task will be analyzed according to the gradual elimination of Ball et al. (2006) and the ranking approach of Cavusgil et al. (2004). This will be outlined in section 2.3. Section 2.4 continues with in- depth market screening according to Cavusgil et al. (2008). Finally, section 2.5 will combine the market screening theory and country ranking in a market/industry assessment tool. This tool will provide the basis of this research.

2.2 Selecting factors for internal analysis

The aim of this research is to compare six European countries and to evaluate their attractiveness with use of a market screening tool, developed according to market screening theory. The result of this research is a market choice most favorable to enter for Fernandes and to provide guidelines how to use the market screening tool in the future. The first research question is about analyzing Fernandes internally and will show the current work method of Fernandes. The internal analysis makes clear what kinds of indicators are important to consider when analyzing potential export countries. This will be achieved by analyzing the product factors and resource and commitment factors of Fernandes. The output of this chapter will be the input for the country screening that will be done to answer the second research question.

Without an entry strategy for a product/target market, a company only has a 'sales' approach to foreign markets. The sales approach is often used by a first-entry company lacking international experience and that has a doubtful ability to compete abroad (Root, 1994). As appendix 3 indicates, over the years there have been some export deliveries which were all sales oriented, without the use of a market entry strategy.

To give an answer to the goal of exporting to foreign markets, the current sales approach of Fernandes needs to be shifted to a more marketing oriented strategy. The purpose of the second research question therefore is to evaluate potential export markets and to choose a potential market for Fernandes.

To give a visual indication of the current situation of Fernandes, the stage theory of Bilkey and Tesar (1977) is shown in figure 2.1. Stage theories suggest that the process of 'going abroad' involves a (logical) sequence of international development steps (Bell & Young, 1998). The stage theory of Bilkey and Tesar enlightens six different stages. It fits the company Fernandes best because Bilkey and Tesar mention the willingness to fill unsolicited orders; the sales approach as explained in section 1.4.

At the moment of writing this thesis, Fernandes is in stage 2 of the model of Bilkey and Tesar. The next step in the stage model, and the next step for Fernandes, is that the management explores the feasibility of active exporting. To support this development, this research will focus on this subject to realize further growth of the company Fernandes in the future.

But firms should overcome barriers at each stage before moving to the next stage in the export process. Therefore this second research covers the factors that need to be outlined before entering the new stage of experimental exporting.

Stage 1 Management not interested in exporting
Stage 2 Management is willing to fill unsolicited orders
Stage 3 Management explores feasibility of active exporting
Stage 4 Experimental exporting to psychologically close countries
Stage 5 Firm is an experienced exporter
Stage 6 Firms look to export to psychologically distant countries

Figure 2.1: Internationaliza-tion stage model (Bilkey and Tesar, 1977)

Root (1994).

When answering the first and second research question, the *'Factors in the entry mode decision'* model of Root plays a significant role (see figure 2.2). This thesis does not cover the market entry mode selection as this model suggests, but the structure of this model will be used to indicate the importance of the distribution between internal and external factors. Root (1994) states that *"a choice of a target country is the result of analyzing several internal and external factors".* Next to Root, Koch (2001) also recognizes the importance of the classification of internal and external factors, when stating that *"the design and outcomes of each market selection depend greatly on the external and internal circumstances".* With this in mind, the first research question covers the internal factors to make clear what kinds of indicators are important to look for in the potential target countries. The main question to answer in this chapter is how the internal characteristics of Fernandes are of influence the market screening tool. The outcome will be a list of characteristics of Fernandes which are of influence of the market screening tool. How a company responds to external factors depends heavily on internal factors (Root, 1994). Therefore, with use of the internal factors, the second research question analyzes the external factors; the target country factors, to develop the market screening model.
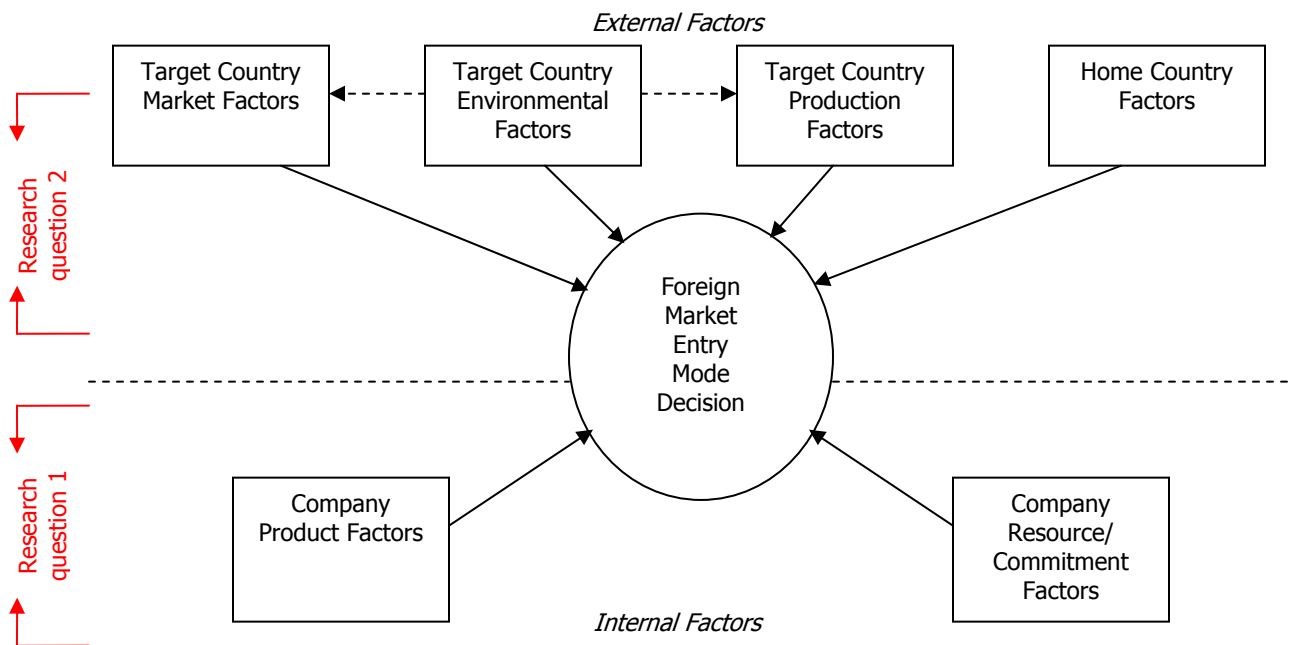
External Factors

| Target Country Market Factors | Target Country Environmental Factors | Target Country Production Factors | Home Country Factors |

Foreign Market Entry Mode Decision

Research question 2

Research question 1

| Company Product Factors | | Company Resource/ Commitment Factors |

Internal Factors

Figure 2.2: Factors in the Entry Mode Decision (Root, 1994)

The internal factors according to the model of Root (figure 2.2) include product, resource and commitment factors.

2.2.1 Product factors

Highly differentiated products can be priced rather freely and still remain competitive in the market despite high unit transportation costs and import duties (Cavusgil et al., 2002). Root states that highly differentiated products with distinct advantages over competitive products give sellers a significant degree of pricing discretion. This part of the internal analysis will give a description of the products of Fernandes and the volume of sales in the domestic market; the Netherlands. To explain the product factors for Fernandes, Root (1994) uses the following questions:

(1) Is this product competitive at home? What are its competitive strengths and weaknesses?
(2) What need (or needs) does this product serve in the domestic market? Do these same needs exist in foreign markets? If they do, which products currently meet those needs in foreign markets? If they do not, can this product serve other needs that do exist in foreign markets?
(3) How new is this product to foreign markets? How much competition is it likely to encounter? What competitive advantages and disadvantages does this product have in foreign markets?
(4) Does this product have the same use conditions in foreign markets as in the home market?
(5) Does this product require after-sales services or complementary products for its use? Are they available in foreign markets?
(6) Does this product need to be adapted to foreign markets in one or more of its physical, package, and service attributes?
(7) Can this product be marketed abroad the same way as at home?

During the assessment of industry market potential, the first five questions/ factors will be included in this research. The final two questions can be further outlined when Fernandes continues analyzing company sales potential, when a target market is selected. This will not be done during this research.

Cavusgil et al. (1993) also use product/ industry characteristics in his framework. The researchers indicated the following four variables for product analysis:

    (1) Technology orientation of industry; the extent to which the industry is considered to be a technology-intensive industry
    (2) Product uniqueness; the degree to which the product is designed/made to satisfy unique needs or to be used for unique purposes.
    (3) Cultural specificity of product; the extent to which the product caters to the needs of a specific culture or subculture
    (4) Type of product; the classification of the product in terms of consumer goods versus industrial goods.

2.2.2 Resource/ Commitment factors

This section provides better insight in the resources of company. Root indicated the following resource factors:

    (1) Resource in management
    (2) Resource in capital
    (3) Resource in technology
    (4) Production skills
    (5) Marketing skills

Although resources are an influencing factor, Root states that resources must be joined with a willingness to commit them to foreign market development. The degree of a company's commitment to international business is revealed by the role foreign markets play in corporate strategy, the status of international organization, and the attitudes of managers.

Complementary to the internal factors of Root, Johnson et al. (2008) use two capabilities; resources and competences. Tangible resources are the physical assets of an organization such as plant, people and finance. Intangible resources are non-physical assets such as information, reputation and knowledge. The resources of a company can be divided in the following four categories:

    (1) Physical resources; machines, buildings or the production capacity of the organization.
    (2) Financial resources; capital, cash, debtors and creditors, and suppliers of money (shareholders, bankers, etc.)
    (3) Human resources; the mix, skills and knowledge of employees and other people in an organization's networks
    (4) Intellectual capital; as an intangible resource- includes patents, brands, business systems and customer databases.

Using these factors in the internal analysis will give an answer to the question how resources are managed, the cooperation between people, their adaptability, innovatory capacity, the relationship between customers and suppliers and the experience and learning about what works well in the company. The term competence is used to indicate the skills and abilities by which resources are deployed effectively through an organisation's activities and processes (Johnson et al., 2008).

Both theories use overlapping factors. The factors of Root will provide the basis, because he also adds the marketing skills to the factors.

2.2.3 Overview factors

Figure 2.3 presents an overview of the factors that will be used during this research to conduct the internal analysis.

INTERNAL FACTORS					
AUTHOR	**ROOT (1994)**	**CAVUSGIL ET AL. (1993)**	**JOHNSON ET AL. (2008)**	**SIMI-LAR?**	**APPLICATION TO FER**
Product factors	1. Competitive strengths and weaknesses	1. Technology orientation of industry		No	1. Competitive strengths and weaknesses 2. Technology orientation of industry
	2. Needs Served	2. Product uniqueness		Yes	3. Needs served
	3. Maturity of product/ competition	3. Cultural specifity of product (same as needs served)		No	4. Maturity of product/ competition
	4. Use conditions	4. Type of product		No	5. Use conditions 6. Type of product
	5. After-sales service/ complementary products				7. After-sales service/ complementary products
	6. Adaptation to foreign markets				8. Adaptation to foreign markets
	7. Marketing				Not covered during this research
Resource/ Commitment factors	1. Resource in management		1. Human resources	Yes	9. Resource in management
	2. Resource in capital		2. Financial resources	Yes	10. Resource in capital
	3. Resource in technology		3. Intellectual capital	No	Not covered during this research
	4. Production skills		4. Physical resources	Yes	12. Production skills
	5. Marketing skills				13. Marketing skills

Figure 2.3.: Overview factors internal analysis

The factors identified in figure 2.3 are added to the first part of the market screening tool (figure 2.4). Before analyzing the external factors, first the internal situation of Fernandes should be made clear according to these factors.
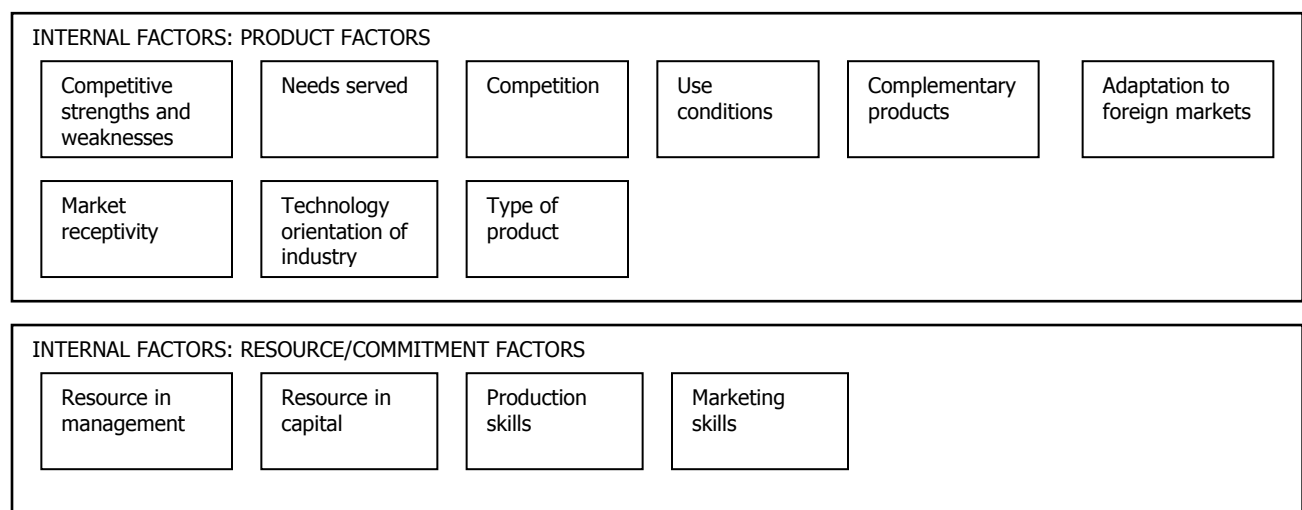

Figure 2.4: Internal factors screening model

2.3 What are the criteria for evaluating export markets according to the theory?

After analyzing the internal factors of Fernandes, this section will focus on the external analysis. Companies can not influence the external environmental factors. Because the external factors are uncontrollable, companies have to adapt to these factors (Verhage, 2001). The controllable elements of foreign market entry were discussed when answering the first research question. The second research question covers the uncontrollable factors. These factors are all in the external environment.

During the environmental analysis, the research will focus on the environmental factors that are relevant and of influence to the functioning and results of the company Fernandes. The purpose of the second research question is to select important variables to the company Fernandes, making use of elements of market screening theory.

2.3.1 Market screening theory

Since the number of world markets to be considered by a company is very large, it is neither possible nor advisable to research them all. This research covers the country screening of six countries, chosen by the management of Fernandes; Belgium, France, Germany, Spain, Turkey and the United Kingdom.

The process of evaluating potential foreign markets involves three stages: a) screening stage, b) identification stage, and c) selection stage. The selection process is gradual and is necessarily sequential. Macro level indicators (such as political stability, socio-cultural factors, and geographic distance) can be used in the screening stage of the process to eliminate countries that do not meet the objectives of the firm. In the identification stage, industry- specific information (such as market factors and analysis of competition) can be used to obtain a short list of potential country-segments. Firms need to assess information such as market size, market growth rate, level of competition (types and number of competitive products and their prices), and entry barriers (such as tariffs, taxes, import duties and quotas), and identify potential country-segments based on this information. In the final selection stage, firm-specific information (such as profitability and product adaptation to the firm's existing portfolio) can be used to select the right markets to enter (Kumar et al., 1993).

Market research is as important in foreign markets as it is at home. In planning international market entry strategies, managers are striving to match product against markets. The two key questions in reaction to this are:

      1) Which products shall we market abroad?
      2) To which countries?

Because the products of Fernandes, which they are planning to export, are known, the focus of the fourth chapter of this thesis will be on choosing the target market for the Fernandes soft drinks. Export issues must be carefully researched before the decision is made to enter a foreign market (Cavusgil, 1985). When a company wants to start structural export in stead of only responding to unsolicited orders from foreign customers, risks are increasing. In this situation, it is essential to clarify certain issues before committing greater resources. In the case of the Fernandes company, it has not been decided which country should be entered through export. The six countries that will be investigated for export feasibility are Belgium, France, Germany, Spain, Turkey and the United Kingdom. Therefore during answering the second research question, market screening research will be conducted to find out which of these six countries is most promising for exporting the product of Fernandes.

Screening is a preliminary stage in the assessment of global opportunities. It is a process for identifying potential markets which are prime candidates for in-depth analysis. The ability to screen markets globally depends on the potential markets that can be identified by comparing and evaluating country characteristics. The preliminary screening will result in a choice of the countries that offer the best prospects. According to Cavusgil et al. (2008) there are two basic methods to accomplish this: *gradual elimination and indexing and ranking*. To accomplish the gradual elimination, the model of Ball et al. (2006) will be used. This model is explained in section 2.3.2. In addition to this, the ranking method of Cavusgil et al. (2004) will be outlined in section 2.3.3.

2.3.2 Market screening model of Ball et al.

As section 2.3.1 already mentions, Kumar et al. (1993) state that the process of evaluating potential foreign markets involves three stages: a) screening stage, b) identification stage, and c) selection stage. The selection process is gradual and is necessarily sequential.

Market screening is a method of market analysis and assessment that permits management to identify a small number of desirable markets by eliminating those judged to be less attractive (Ball et al., 2006). The firm that applies gradual elimination starts with a large number of prospective target countries and then gradually narrows its choices by examining increasingly specific information. The firm aims to reduce the target countries to a manageable few number of countries that warrant in-depth investigation as potential target markets (Cavusgil et al., 2008).

Ball et al. state that the screening is accomplished by taking six steps (see figure 2.5):
1. Basic need potential; an initial screening on the basis need potential of the target market.
2. Financial and economic forces; trends in inflation, exchange, interest rates, credit availability, paying habits of customers, and rates of return on similar investments.
3. Political and legal forces; e.g. entry barriers, profit remittance barrier and policy stability.
4. Sociocultural forces; these forces are fairly objective and data are difficult to assemble, particularly from a distance. The analyst must rely on the opinions of others.
5. Competitive forces; an analysis of the profile of competitors in the target market.
6. Final selection of new markets; an executive of the firm should visit those countries that still appear to be good prospects. Before leaving, this person will review the data from the various screenings along with any new information that the researcher can supply (Ball et al., 2006).
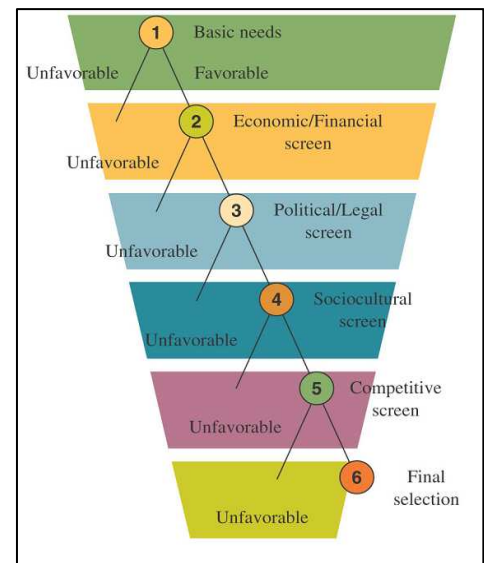

Figure 2.5: Selecting Foreign Markets (Ball et al., 2006)

The model of Ball et al. is applicable to the company Fernandes because the model is very product focused and also applicable to the consumer product market. The model is based on six steps and provides the possibility of eliminating those countries judged to be less attractive after each step. Also weights can be assigned to the different forces, so the importance of the forces to Fernandes becomes more specific.
Elimination methods are very applicable for cases of consumer products. Most often during this process, all nations in the world are considered. Since this research only examines six potential target markets, careful comparisons are required and no countries will be eliminated in between those different steps. After outlining the six forces the indexing and ranking approach of Cavusgil (2004) will be examined. These steps/forces will not be covered by visiting the target countries.

2.3.3 Country clustering and country ranking according to Cavusgil et al. (2004).

The second primary method Cavusgil et al. (2008) use for choosing the most promising foreign markets is indexing and ranking, in which the researcher assigns scores to countries for their overall market attractiveness. For each country, the research first identifies a comprehensive set of market-potential indicators and then uses one or more of these indicators to represent a variable. Weights are assigned to each variable to determine its relative importance: the more important a variable, the larger its weight. After this, the resulting weighted scores are used to rank the countries.
Ideally, market identification results in a ranking of countries and segments that score relatively high on the screening indicators (such as market size and market growth rate), after which the problem is reduced to making a decision about how many of the top-ranked market should be considered, given the established market expansion strategy and resource availability.
In addition to the model for selecting a target country of Ball et al. (2006), Cavusgil et al. (2004) use two complementary approaches to preliminary foreign market assessment and selection: country clustering and

country ranking. The differences and similarities among countries are fundamental in determining which countries are suitable for entry. Similarities not only help managers compare the countries, but also provide information on possible synergies among markets. The method of ranking of countries makes use of dimensions that are relevant to the international marketer. The external factors that were analyzed are presented in section 2.4.

A firm that wishes to standardize products and services across different markets should pay more attention to the results of the cluster analysis because this technique provides insights into structural similarities among markets. On the other hand, a firm that wishes to identify the best possible market to enter should focus on the ranking approach to determine the countries that deserve more in-depth attention (Cavusgil et al., 2004). Because of this reason, the ranking approach offers good opportunities to show the possible export markets for Fernandes.

Whereas Cavusgil focused on emerging country markets, the focus for Fernandes is mostly on European countries. At the start of this thesis, Fernandes had no long-term export focus in any country. Because the management of Fernandes already had ideas about potential export markets, the focus of this research is on screening the Belgian, French, German, English, Spanish and Turkish markets. After finishing this research, advise will be given about the feasibility of entering (one of) these countries. The development of a market screening model for Fernandes specifically, will provide the opportunity to the management to screen other potential target countries in the future.

2.3.4 Overall Market Opportunity Index (OMOI) by Cavusgil (1997)

The ranking approach of Cavusgil et al. is illustrated by the Overall Market Opportunity Index (OMOI). This index shows seven dimensions to measure foreign market potential. Verifying market potential and quantifying and qualifying opportunity in a foreign market can be vital to a firm's success. The factors that will be analyzed are:

(1) Market size; total population in the target market.
(2) Market growth rate; the average annual growth rate of industry. The growth rate of the industry where Fernandes operates in directly influences the demand for the products.
(3) Market intensity; the PPP estimates of GNP per capita (50% weight) and the private consumption in the target market.
(4) Market consumption capacity; the size of the middle class. The better the consumption capacity of the target market, the better the prospects for the product you want to bring on that market.
(5) Commercial infrastructure; ease of access to distribution and communication channels. Countries with good access to distribution and communication channels offer better opportunities than countries which do not.
(6) Economic freedom; trade and taxation policy, government consumption of economic output, monetary and banking policy, capital flows and foreign investment, wage and price controls, property rights, regulatory climate, and black market activity.
The best situation to do business in is in a free market economy. This fewer controlled, the better results can be achieved by the company.
(7) Market receptivity; the average annual growth rate of imports and per capita imports from the Netherlands. Markets that protect domestic products to a large extent are not appealing for western manufacturers.

2.3.5 Overview factors

Figure 2.6 presents an overview of the factors that will be used during this research to conduct the external analysis.

PRELIMINARY SCREENING FACTORS	
Author	**Factors**
Cavusgil (1997) OMOI	Target country market factors: • Market size • Market growth rate • Market intensity • Market consumption capacity • Commercial infrastructure • Economic freedom • Market receptivity

Figure 2.6: Overview factors preliminary screening

2.4 In-depth market screening

Once the number of potential target markets has been reduced, the next step is to conduct in-depth analysis of each of these country markets. The in-depth screening elaborates further on estimating industry market potential. This enables the manager to refine the analysis and identify the most attractive countries for the firm's product or service. By examining country-level characteristics more closely at this stage, one is able to decide which countries to retain for subsequent analysis of company sales potential (Cavusgil et al., 2008). In addition to gaining industry-specific insights into the selected markets, the purpose of this research is to formulate an understanding of the degree to which Fernandes needs to adapt its products and marketing approach. To develop an estimate of industry market potential, according to Cavusgil et al., managers need data and insights on the following variables:

(1) Market size, growth rate, and trends in the specific industry
(2) Tariff and nontariff trade barriers to enter the market
(3) Standards and regulations that affect the industry
(4) Availability and sophistication of local distribution
(5) Unique customer requirements and preferences
(6) Industry-specific market potential indicators

Whereas Cavusgil focused on emerging country markets, the focus of this research is on developed markets. Because of this fact, not all of the factors Cavusgil et al. mention will be used during this research. The application of the following factors will be realized:
• Market size/ market growth rate
• Unique customer requirements and preferences
• Industry trends
• Industry- specific market potential indicators

In addition to generic determinants of demand, each industry sector had its own industry-specific potential indicators or distinctive drivers of demand. For Fernandes, the researcher has chosen to analyze climate-related factors, because research centers focusing on the soft drinks industry (Canadean, 2008; BSDA, 2009; Zenith International) stress the important of recognizing the fact that the weather has a direct influence on the sales of soft drinks. The climate-related factors that will be analyzed during this research are:
• Comparison average temperature per month
• Comparison total rainfall mm. per month
• Comparison total sunshine hours per month.

With the data of the above mentioned factors (see an overview in figure 2.7) at the end of the in-depth analysis one target country will be chosen that provides the best opportunities for market entry and advices will be given about adaptations that need to be made to the market/industry screening tool when implementing the tool in the strategy of the company Fernandes.

2.4.1 Overview factors

IN-DEPTH SCREENING FACTORS	
Target Country Industry Factors	
Market size/ Market growth rate	• Market size soft drinks industry • Market size carbonates
Unique customer requirements and preferences	• Distribution soft drinks sectors • Carbonate flavors
Industry Trends	• Health and wellbeing • Distribution regular versus low calorie carbon
Industry- specific market potential indicators	• Climate related factors

Figure 2.7: Overview factors in-depth screening

2.5 Market screening and country ranking combined

The result of the combined theories; gradual elimination (Ball et al., 2006) and country ranking (Cavusgil et al., 2004), leads to the following method:

PRELIMINARY SCREENING
Six target countries

IN-DEPTH SCREENING OF SELECTED COUNTRIES

FINAL COUNTRY SELECTION
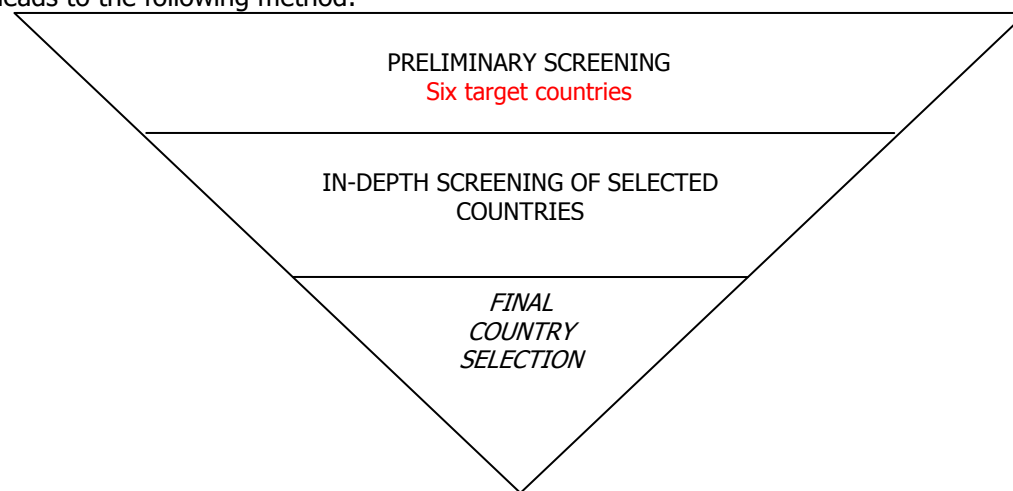
Figure 2.8: Research approach; market assessment tool

Adding the selected factors that will be analyzed to the market assessment tool (figure 2.8) results in the following model for screening external market factors:

PRELIMINARY SCREENING: COUNTRY FACTORS

| Market size | Market growth rate | Market intensity | Market consumption capacity | Commercial infrastructure | Economic freedom | Market receptivity |

IN-DEPTH SCREENING: INDUSTRY/ MARKET FACTORS

| Market size | Market growth rate | Industry trends | Unique customer requirements and preferences | Industry- specific market potential indicators |

FINAL COUNTRY SELECTION

Figure 2.9: External factors screening model

Combining the internal and external factors screening models (figure 2.4 and 2.9), results in the market/industry screening tool which will provide the basis of this research.

INTERNAL FACTORS: PRODUCT FACTORS

| Competitive strengths and weaknesses | Needs served | Competition | Use conditions | Complementary products | Adaptation to foreign markets |

| Market receptivity | Technology orientation of industry | Type of product |

INTERNAL FACTORS: RESOURCE/COMMITMENT FACTORS

| Resource in management | Resource in capital | Production skills | Marketing skills |

PRELIMINARY SCREENING: COUNTRY FACTORS

| Market size | Market growth rate | Market intensity | Market consumption capacity | Commercial infrastructure | Economic freedom | Market receptivity |

IN-DEPTH SCREENING: INDUSTRY/ MARKET FACTORS

| Market size | Market growth rate | Industry trends | Unique customer requirements and preferences | Industry- specific market potential indicators |

FINAL COUNTRY SELECTION

Figure 2.10: Market/Industry screening tool

2.6 Conclusion

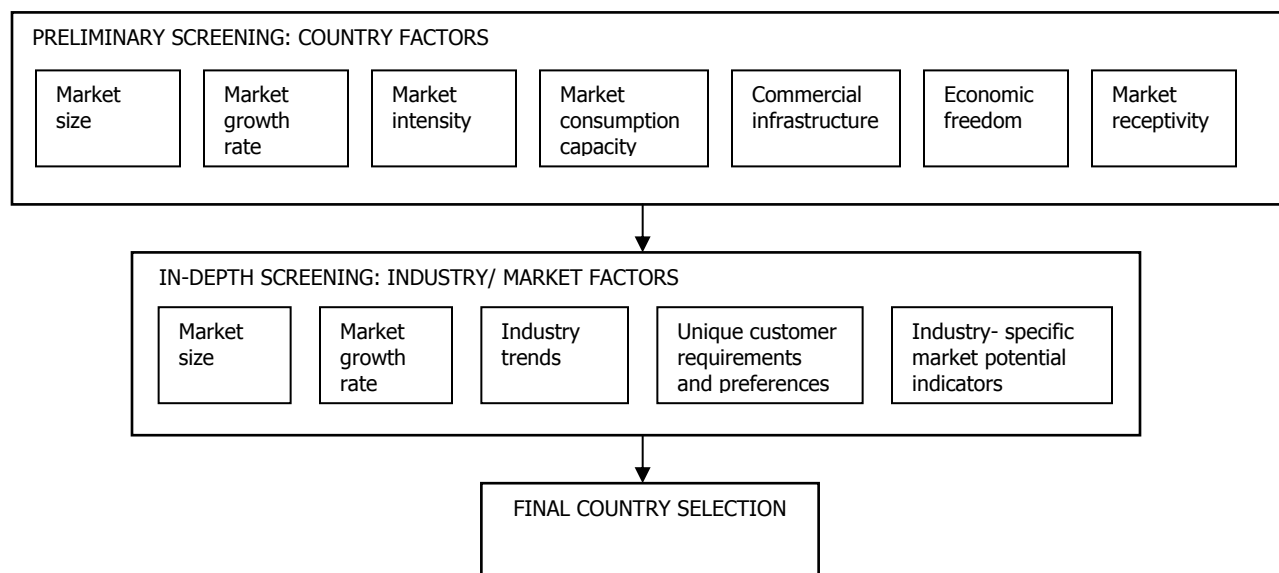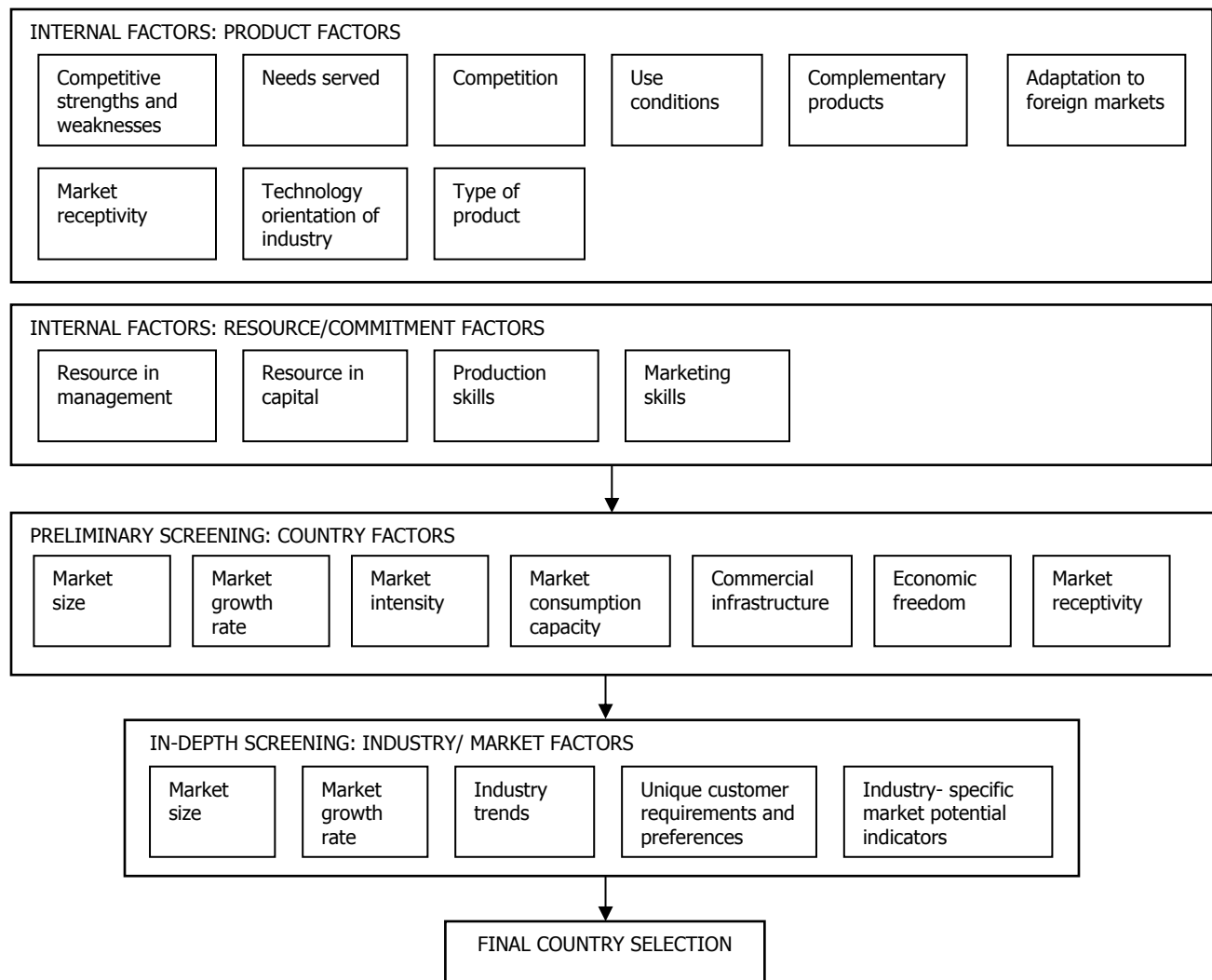This chapter presented an overview of theories and factors used during this research. The elaboration of these factors will be outlined in the next chapters. The internal factors will give insight in the strengths and weaknesses of the company Fernandes. This information can be used when deciding whether exporting to a target market is feasible or not.

During this research, the information of the internal analysis will be connected to chapter six, the adaptation and implementation of the model.

The target country market factors and soft drink industry factors will give insight in the market/industry potential of the target countries.

The model of figure 2.10 can be used to screen every target market. This is a generic model based on data from several research studies. In the next chapter this model will be applied to the Fernandes company.

This research focuses on six target markets. After conducting this research, it is up to the management of Fernandes whether or not to choose to start exporting or to continue to use this model on screening other target countries. The aim of this research is on this model to be of use to the management of Fernandes in the process of choosing a target country. Furthermore, this research tries to contribute to scientific knowledge concerning internationalization models. This model is developed specifically for companies operating in the soft drinks industry. Only the industry-specific factors have to be adapted when using this model in a different industry.

3. Adapting screening tool to the characteristics of Fernandes

3.1 Introduction

The aim of this research is to provide information to Fernandes about which market is most attractive for exporting their soft drinks to. To show the current situation of Fernandes, this chapter will focus on the internal characteristics of Fernandes. When answering the first research question: *What are the characteristics of Fernandes influencing the market screening tool?* this chapter will be structured according to the model of Root about entry mode selection.

Root states that how a company responds to external factors depends on internal factors. Therefore, the outcome of this chapter will be the input for the country screening that will be done in the next chapter. The internal analysis in this chapter makes clear what kinds of indicators are important to look for in potential host countries. The structure of the model of Root is used to indicate the importance of the distribution between internal and external factors. The internal factors Root uses are product factors and resource/commitment factors. The outcome of the internal factors will be use to adapt the market screening tool to the situation of Fernandes. The result of this screening will be advice about which factors are important for Fernandes to take into account when entering a foreign market. The factors that have been selected in section 2.2 of this thesis will be answered during this chapter and are shown in figure 3.1.

INTERNAL FACTORS	
Author	**Factors**

Root (1994)	Product factors
	   1. Competitive strengths and weaknesses
	   2. Needs served
	   3. Maturity of product/ competition
	   4. Use conditions
	   5. After-sales service/ complementary products
	   6. Adaptation to foreign markets

Cavusgil et al. (1993)	Product factors
	   1. Technology orientation of industry
	   2. Type of product

Root (1994)	Resource/Commitment factors
	   1. Resource in management
	   2. Resource in capital
	   3. Production skills
	   4. Marketing skills

Figure 3.1: Internal factors outlined in this chapter.

3.2 Fernandes

Fernandes soft drinks are founded by the Fernandes Family in 1943 in Surinam. Since 1981, Fernandes became a licensed product of CCE-NL. Nowadays there are approximately 338.000 citizens from Surinam origin living in the Netherlands (Statline), providing a large target group of Fernandes.

Since 1981, three phases can be distinguished when looking at the target groups of Fernandes.
First, when Fernandes was just introduced on the Dutch market, mainly the Surinam citizens consumed the soft drinks. The Dutch population was not yet familiar with the product. Soon the Moroccan, Turkish and Antillean people started drinking Fernandes, which realized large growth in the Netherlands.
Nowadays, the target groups of Fernandes are still growing. Also the Dutch citizens recognize the unique and nice taste of the soft drinks. The Fernandes soft drinks nowadays have a different profiling. The soft drinks are profiled as an exotic and modern brand. And this approach is working for Fernandes. The Fernandes soft drinks have shifted from a cultural-specific drink to a modern drink. This resulted in a large new target group; youngsters. They are drinking Fernandes, because it is modern and they want something totally different than the regular soft drinks. Another important development is large supermarket chains are including Fernandes to their assortment, which gives a boost to the availability of Fernandes.

Over the last two years, Fernandes has realized a growth of respectively 22% and 12%. Even during the credit crunch, a large growth has been realized in 2008. But this crunch is said not to be of negative influence to the soft-drink industry and thus Coca-Cola (see appendix 4: Article Algemeen Dagblad, 19-01-2009). A growth of 3.4% of soft drink consumption has been realized in 2008 compared to 2007.

3.2 Product factors Root (1994)

1. Competitive strengths and weaknesses of Fernandes

Fernandes competes in the industry of Fast Moving Consumer Goods (FMCG's). FMCG's are frequently purchased essential or non-essential goods such as food, toiletries, soft drinks, pampers (businessdictionary). The soft drink industry is a fast-moving industry and ever-changing competitive environment.

All the different beverages, and especially carbonates and bottled water, are competing intensively to gain consumers' favor. It appeared that bottled water was winning the battle thanks to the 'wellness' concern of the Western, but because of the credit crunch started in 2008, the number of bottled water consumed is decreasing. Nowadays people are more resorting to tap water (see appendix 4: Article Algemeen Dagblad, 19-01-2009).

Another important development is that the image of traditional carbonates has been damaged by concerns regarding obesity. Manufacturers must consequently devise ways to attract consumers either by launching new products or by re-launching low calorie alternatives of existing brands. Fernandes addressed on this by launching the light version of Fernandes Green Punch and Cherry Bouquet in 2008.

In order to be successful within the very competitive soft drinks industry, brand owners must ensure the following two crucial and correlated elements: the product must be placed on the shelves and must be chosen by consumers. In addition to the need for hydration and the pleasant taste, consumers are attracted to these products for different reasons. In some cases the familiarity of the brand is key, while in other instances the perceived benefits of the products in terms of healthiness and well-being are what attract consumers. Convenience is also a major factor in today's fast-moving world. This means availability in the right format at the right moment.

Fernandes is a unique product with a unique taste and target group. Besides other imported soft drinks, there are no products that are produced in the Netherlands which are similar to Fernandes regarding taste or color.
In Surinam and the Netherlands, in the early phase of the product launches, the key success factor was the familiarity of the brand by the Surinam consumers. Although the consumer group is expanding, Fernandes still has the image of a drink only for people from the Caribbean. Therefore Fernandes recognized the importance of changing the image of Fernandes of a Surinam soft drink to a soft drink for different target groups, with a strong focus on youngsters.
The Surinam population adds a lot of emotional value to the products of Fernandes. As stated before, the Surinam population was raised with the Fernandes soft drinks and its unique tastes.
At the same time, the taste can be a weakness. The taste of the different Fernandes soft drinks is relatively unique and the sweet taste can be of a negative influence to the taste accessibility of Fernandes since it is not appealing to all consumers.

But as the large growth in the Netherlands shows, the future for Fernandes offers a lot of opportunities. There are possibilities to enlarge the target markets and to change the packaging. But because Fernandes is a licensed product of CCE and not of TCCC it is different to make decisions about marketing and packaging, since decisions about these activities are normally made by TCCC.
The main goal for Fernandes in 2009 is to get a national distribution of Fernandes within the Home-channel and to continue to realize growth within the Out of Home channel. To realize growth in the out of home channel, CCE will participate actively in the '*boostzones*' with the Fernandes soft drinks. In the home channel, national account managers off CCE-NL include Fernandes in the assortment of products in the Albert Heijn supermarkets. This already resulted in availability of Fernandes in almost 90% of the Albert Heijn supermarkets.
Furthermore, Fernandes will participate in events like '*Suri Profs*' and the '*Summercarnival*' (Contour, 2009).

2. Needs served

Soft drinks offer cool refreshment and are used for daily consumption. Because of the large number of different soft drinks, it is important to be unique and to exceed the competitors. Range, quality, temperature and presentation are all important aspects of serving soft drinks. Consumers are becoming more discerning and this change in demand requires a change in sales approach. Also, more consumers are making positive soft drink choices, not just when forced into it as the designated driver. Merchandising, presentation and good visual displays help generate sales. Soft drinks need to be promoted as desirable purchases and customer should not be left disappointed by a lack of choice.

Fernandes projects the need of a colorful soft drink with a tropical character. Besides competitive products produced in de Caribbean, there are no similar products like Fernandes elsewhere.

3. Maturity of product/ competition

From the moment of writing this thesis, there is little exportation of Fernandes to foreign markets. Besides Surinam and the Netherlands, where Fernandes is also bottled, all the other countries can be seen as *'infant markets'*.

Little can be said about the competition Fernandes is likely to encounter in a foreign country. This depends on the different products that are available in that country.

Because Fernandes has a sweet taste perception, the countries that connect to this are in particular Southern countries. Factors that are possibly of a positive effect to the consumption of Fernandes in a foreign markets are for example climate factors (Fernandes, and soft drinks in general, are consumed in a larger amount when the weather is good) and the number of citizens in the country that are from Surinam origin (these people are already familiar with Fernandes).

Because Fernandes currently is measuring the feasibility of exporting, the products are new on every foreign market. Next to the local drinks, Fernandes also has to compete with products like Cherry Coke and Dr.Pepper.

Competition

The competitors selected in this section are selected in deliberation with the management of Fernandes. The competitive products are selected because these are non-western soft drinks which compete on the same factors as Fernandes; fruit-flavored taste, drinks from Caribbean origin and the competitive products are sold at the same places where Fernandes is offered. In the Netherlands, the main competitors of Fernandes are the carbonated soft drinks Chubby, Fria and Busta. Another competitor could be Maaza. These are tropical fruit drinks and not carbonated soft drinks, but these drinks are sold at every place where Fernandes is sold, which makes it an important competitor.

Chubby

Chubby is a 250ml. carbonated soft drink packaged in a patented PET bottle, a round shape of which appeals to children. It is available in a wide range of flavors: Ananas, Apple, Arome Grenadine, Banana, Blueberry, Bubble Gum, Cola, Cream Soda, Dracola, Fresa, Fruit Punch, Grapefruit, Grape, Green Crush, Guarana, Guava, Kola, Kola Champagne, Kola Champion, Lemonade, Manzanita, Mango, Merenguito, Naranja, Orange, Pear, Pineapple, Pink Ade, Platano, Ponche Tropical, Pucker Power, Raisin, Tutti Frutti, and Uva.

Chubby is sold in most major supermarkets in the USA, Canada and the Caribbean. It is also available in the United Kingdom, the Netherlands, South America and the Middle East. Its primary position is in the children's aisle, secondary in the tetra pack juice section, and tertiary in the soft drink section.

Aggressive advertising and promotions employing a flexible localized strategy capitalizing on the culture of each country support the Brand. Chubby says to *'think global but act local'*.

Chubby is produced by S.M. Jaleel & Co. Ltd. This is one of the oldest and largest soft drink manufacturers in the English-speaking Caribbean supplying markets regionally and internationally (www.chubbysd.com).

FRIA

FRIA is the number two-selling soft drink on the island of Curacao. It comes in various flavors. These are: Fria Kolita, Fria Banana, Fria Pera and Fria Grape, Fria Pineapple, Fria Orange and the Fria Lemon Lime.

Fria is a product of the Curacao Beverage Bottling Co. N.V.; the authorized Coca Cola bottler in Curacao, N.A. Curacao Beverage Bottling Co. N.V. is owned by the Pinedo family and started its operations on 12 October 1938. To this day it produces Coca Cola soft drinks, Coke Light, Sprite, Coco Rico, Canada Dry, Fria and recently added Orange Crush to its production line.

Fria can be purchased at all local supermarkets, mini markets, snackbars and other food outlets on the island. Fria does not come in cans. It is offered in 2liter, 1liter, 625 ml. and 375 ml. PET bottles and also in 3 gallon and 5 gallon tanks.

Fria is currently exporting the soft drinks to the Netherlands and Bonaire. It has made its entrance in the European market since August 2003. Fria's target group ranges from ages 6–18, but also adults. In the Netherlands Fria is available in the following flavors: Kolita, Banana, Grape, Pera, and Pineapple and are produced in 375 ml. PET bottles only (www.fria.com).

Busta

Busta is a carbonated soft drink which is available in fifteen flavors and is available in a wide range of packaging sizes. It is the leading flavored carbonated soft drink in the Caribbean. Busta is first launched in Trinidad in 1997 and offers consumers different alternatives to colas and lemon-limes. The brand is available in 375 ml., 625ml., 1 liter and 2 liter packaging.

Recently, Diet Busta came on line to answer the needs of the more health conscious individuals. It is manufactured using the Splenda Sweetener and has no calories. It is currently available in three flavors, orange, banana and cola champagne. Busta's aim is to surpass its rivals by maintaining its reputation as the Caribbean brand of Soft Drinks. It is already in the entire Caribbean region, with plans in place to enter several new markets.

Busta is sold in most major supermarkets in Antigua, Aruba, Bahamas, Barbados, Belize, BVI, Cayman Islands, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts, St. Lucia, St. Maarten, Suriname, St. Lucia, St. Vincent, US Virgin Islands, Curacao, Dominica and Anguilla. The brand is also exported to Canada, England and the Netherlands (www.chubbysd.com).

Maaza

Maaza, the Indian word for 'enjoy', is world's largest brand of tropical fruit drinks. Maaza Mango exists since 1970 and finds its origin in India, the largest mango producing country in the world. The Maaza drinks are non carbonated drinks and made from natural fruit purees, and contain neither artificial colorings nor flavorings; they have a high fruit percentage and are available in eight different flavors:
Mango, Guava, Lychee, Papaya, Fruit Punch, Tropical, Passion Fruit, Pineapple, and is offered in 7 kinds of packages.

Maaza is a brand of Infra Foodbrands B.V. The juices are also being produced in The Netherlands and exported to 30 countries such as the EU, USA, Canada, Caribbean and West-Africa. The sales of Maaza are done by national distributors and wholesalers (www.enjoymaaza.com).

4. Use conditions

Fernandes is a soft drink. It is served as cool refreshment. Soft drinks begin with purified water. The soft drink manufacturer filters tap water through fine, clean sand and gravel to get rid of any undissolved impurities that may pass through the finished drink and ensures that the water does not contain any unwanted particles. Once the water is purified, flavorings are added. These are prepared from natural and nature identical sources and are added to a mixture of sugar and purified water to make syrup. This forms the soft drink base. The purified water and syrup base are then blended together to form a 'still' drink and then mixed with carbon dioxide gas (CO_2) in a machine called a carbonator.

Drinks, next to food, belong to the basic needs in life. But whether or not you really need soft drinks is questionable. You do need water to support your body's biological functions, and you do need food energy. While soft drinks provide both, they also contain a high amount of sugar. Furthermore, cola flavored soft drinks often contain a highly addictive substance: caffeine. Cola flavored soft drinks may contain added caffeine and phosphoric acid; no other flavored drinks may contain these ingredients.
The amount of caffeine will differ per brand, but in general the ingredients in soft drinks overlap on the basis of sugar and caffeine amount. Despite the fact that the flavors of Fernandes can be experiences as sweet, Fernandes doest not contain more sugar than the average soft drink.

Consumers are drinking more and more light soft drinks because they do not contain the large amount of calories regular soft drinks have. In Light soft drinks, instead of sugar, aspartame is used to create the sweet tastes of the drinks.

5. After-sales service/ complementary products

Especially in the traditions segment it is important to build on trust and relationships. It is important to visit these customers regularly, to get insights in this market and to help them continuing their sales, especially now they also have more competition from the supermarkets because they are also selling the Fernandes soft drinks. Brand loyalty is especially important in the traditional segment, where people from Surinam origin are a large target group.
But mainly important is the pre-sales function the rayon managers of Fernandes have. Because there is no large (supermarket) chain in the traditional channel, the rayon managers have an advisory function. They have to give advice to the customers which products to buy, because the offer of different soft drinks is very large.

Fernandes does not need any complementary products for its use. There are cans and bottles and no other products are needed to consume the soft drinks.

6. Adaptation to foreign markets

The Fernandes packaging contains the Dutch, English, Spanish and French language. When exporting to a foreign country not speaking one of these languages, the packaging has to be adapted to the language of that specific country.

Also the advertising should be adapted to the local preferences. There are many internal and external influences for this product/ industry. Examples are the local legal requirements, marketing infrastructure, product use and consumer expectations. It is important to have a coherent brand image. This image should be suited to the local environment.

Under similar conditions global marketing strategy performs better than a differentiated one. Success in foreign markets results from a good fit between marketing strategy and local market conditions. Competitive advantage is based on value versus price.
Regionalization of products, brands and promotion campaigns is offering cost savings and closeness to local preferences at the same time. A good example of adaptation to the local market is the promotional material. This should be adapted to local preferences. It is often also necessary to change pictures used for promotional material with pictures from people from their own culture, to make it more accessible.

Furthermore, the preferences according to consumption patterns can differ. For example in France, mostly 1,5 or 2 liter bottles are consumed, whether there are only 1 liter bottles of Fernandes produced in the Netherlands. Because CCE has a lot of production facilities, the possibilities to adapt to a local market are wide. For example there are so-called *'straight wall'* bottles; a standard bottle without any contour shapes. This offers the opportunity to adapt to the local need of larger bottles, without starting with costs that are too high before even knowing if the product will succeed in the country.

There are several factors that should be taken into account carefully before entering a foreign market. Products should be *'tailor made'* to the local market, to have a larger chance of succeeding.

Therefore, when starting to export, it is better to start at a market most similar to the home market or where fewer adaptations should be made to the product. For example in Belgium. Because the packaging of Fernandes already contains the Dutch, English, Spanish and French language, no changes have to be made. Furthermore, the production facilities of Fernandes are already available in Belgium, which saves transporting costs.

3.3 Product factors of Cavusgil et al. (1993)

1. Technology orientation of soft drink industry

Carbonated soft drink production is among the most energy intensive processes in the food industry. Significant levels of refrigeration and heating are needed in the carbonation and bottling/canning processes. Refrigeration is required for lowering the drink mixture to a temperature low enough to absorb the necessary amount of carbon dioxide. Heating is required to bring the cold cans/bottles to a temperature high enough to prevent condensation on the containers after packaging and storage. Being a food product, significant energy is consumed in sanitation processes. In addition to cooling and heating, traditionally the processes use a significant amount of compressed air (Ganji et al, 2002).

Fernandes bottles are produced by CCE-NL by their factory in Dongen. The cans of Fernandes are bottled in Gent, Belgium. The Fernandes Company delivers their products to the wholesale dealer and distribution centers, not directly to the retail outlets.

Because the carbonated soft drink production is such a costly process, it is a logical step first to start with exporting and to make deals with local distributors before building bottling factories in the target country.

The most cost-efficient method is to start with the current production facilities. Because Fernandes is bottled by CCE, the production facilities are large and offer growth opportunities.

2. Type of product

Fernandes is a fast moving consumer good (FMCG).

3.4 Resource/commitment factors of Root (1994)

1/2. Resource in management and capital

Fernandes is profitable on the Dutch market. In the last couple of years a large growth has been realized. According to the opinion of Fernandes' management this is why currently enough budgets are available to start exporting.

Because Fernandes is a licensed product of CCE-NL, it can make use of the production facilities and knowledge of CCE. Therefore the possibilities are very large. The knowledge of Fernandes in foreign markets is limited, but making use of the CCE network Fernandes can gather a lot of information of the soft drink markets in the CCE countries. This is an important advantage.

The aim of Fernandes is to start exporting. In the last couple of years the company in the Netherlands has grown significantly. There are still several opportunities in the Netherlands, but because of the growth in the past 3 years, the management is starting to explore the possibilities of exporting. The most important step when entering a foreign market with Fernandes is to find a local distributor. Exporting is a straight forward, less risky expansion into new markets with an existing line of products. When starting to export, the company requires a local entity to enter markets either through independent middlemen or by a wholly owned sales subsidiary. This is called direct exporting. Direct exporting involves learning about overseas transportation,

international trade credit, tariff barriers and legal rules in regulations in the foreign country. Direct exporting, thus exporting through overseas intermediaries, offers several advantages to the manufacturer. The manufacturer has partial or full control over the foreign marketing plan, there is concentrated effort toward marketing the manufacturer's product line, quicker information feedback from the target market can be received and there is better protection of trademarks, patents, and goodwill (Root, 1994).

But on the other hand, export pricing is a lot more complex than domestic pricing. Pricing depends on the terms of shipment, mode of shipment, insurance costs and payment methods. In addition transaction costs have to be added. And one should take exchange rate fluctuations into account, which can either be of a positive or negative for your pricing negotiations.

The marketer must approach the buyer with relevant information and attempt to influence the writing of a tender specification, which usually takes the form of a feasibility report, once the opportunity for a specific project or product is identified. An important objective of the marketing effort is to achieve a *'first-mover'* advantage. A marketer who can preemt competitors and be first in supplying relevant information to buyers will have a head start in the selling process (Root, 1994). First movers often have a task of screening for good distributors. Late movers may lose on getting the best distributors when first mover has signed an exclusive contract. Because Fernandes is a licensed product of CCE-NL, it may benefit from other CCE countries like Belgium and the United Kingdom. CCE already has local distributors and knowledge about these markets which Fernandes can use when entering the foreign CCE markets. This can accelerate the process of data gathering and gaining market insights.

Next to the possibility of exporting, there is also the possibility of licensing, a contractual entry mode. This entails a variety of contractual agreements between de domestic firm (licenser) and foreign company (licensee) whereby the domestic firm makes intangible assets, such as patens, trade secrets, knowledge, trademarks, and company name, available to a foreign firm in return for royalties and/ or other forms of payments. When a firm licenses to an independent foreign firm, the main purpose is to penetrate a foreign market (Root, 1994).

Because Fernandes is a licensed product of CCE-NL, it is possible to give a *'sub-license'* to a foreign company. This is not desirable, because there are several risks involved. It is easier and safer first to enter the market by exporting and arrange a distribution agreement with a local middleman, because in this way you keep control of the foreign market entry process. Today's licensees may become tomorrow's competitors, because the licenser lacks control over the marketing plan and production processes in the target market.

3. Production skills

Fernandes can make use of the production skills and capacity of CCE. This offers a lot of opportunities. In the Netherlands and in Belgium there are large bottling companies, who already are bottling Fernandes. When starting to export, these CCE factories have the capacity to cover the growth in volume. This saves costs and makes the products less expensive when exporting.

4. Marketing skills

Fernandes is not a brand of the Coca-Cola Company; CCE-NL has a license for the production, distribution and sales of the products of Fernandes (see appendix 1: Organization scheme Coca Cola NL). Therefore The Coca-Cola Company has no concern in advertising for Fernandes. Because Fernandes is not a product of TCCC, it has no separate marketing department for Fernandes. This means that CCE-NL, with its own budget, arranges the marketing policy of the products of Fernandes. With this budget, Fernandes is showing a large growth in sales.

The marketing budget is used for advertising, merchandising, sponsoring, sampling, promotions and generating more brand awareness of consumers.

An advantage for Fernandes in 2009 could be that CCE-NL probably has few product launches in 2009 and that there are no global awareness events like the world cup soccer or the Olympics that are normally sponsored by CCE the main focus is on the current assortment. Therefore also Fernandes receives more attention which requires more budgets for new plans. This offers good opportunities to bring these plans into practice when possible.

3.5 Conclusion

This chapter has shown the current situation of Fernandes according to product and resource/commitment factors. The information for this chapter is gathered by doing interviews with the management of Fernandes. The following characteristics of Fernandes resulted to be of influence to the market screening tool:

The Fernandes soft drinks are very profitable and competitive in the Netherlands. The strength of the product is its unique taste and loyal consumer group. Citizens from the Caribbean are raised with the taste of Fernandes and are also consuming the soft drinks outside Surinam, in the Netherlands. The Netherlands has a large group of people from Surinam origin, which already ensured a large group of potential consumers. When this is not the case in the potential target country, Fernandes first needs to focus on brand awareness of their potential consumer groups to gain market share.

Fernandes is a fruit-flavored soft drink. It is important to enter a foreign market with a preference for fruit-flavored carbonates.

Fernandes is a very specific product operating in a typical market. As this chapter has shown, large competitors are operating in the same market. Soft drinks from the Caribbean are profitable in a lot of countries. Because of this, Fernandes will encounter large competition from competitors like Chubby, FRIA, Busta and Maaza. These competitors already have years of experience in doing business internationally. Also all companies have a wide range of different tastes and formats of the bottles.

The production capacity of Fernandes is large because Fernandes can make use of the production skills and capacity of CCE. When Fernandes decides to start exporting, the production capacity is available to cover the growth in sales.

Because Fernandes proved to be very profitable over the last years and because of the fact CCE-NL probably has few product launches and no global awareness events are planned Fernandes can get more attention for new activities, such as future export plans.

Elaborating the internal factors of Fernandes, gave insight in the strengths and weaknesses of the company. With this information in mind, the process of going international will continue with the external factors. Since Root states that the internal factors influence the external analysis, the information of this chapter will be the input for the country screening. Figure 4.1 in the next chapter connects to the results of the internal analysis. During the preliminary market screening, the general external factors developed by Cavusgil (1997 & 2008) will be used. The weights used are adapted to Fernandes to indicate the importance of each factor to their situation. The main goal of chapter 4 is to make adaptations to the market screening tool to make it suitable to Fernandes. In the next chapter, the preliminary country screening will start with six target countries: Belgium, France, Germany, Spain, Turkey and the United Kingdom. These countries will be screened according to the OMOI model of Cavusgil (1997 & 2008). After this preliminary screening, the chapter will continue with the in-depth screening. This will be applied to the target countries that offer the best prospects after the preliminary screening. These in-depth screening factors will focus on industry market potential of the soft drinks industry. With the results of this internal screening in mind, the in-depth screening factors will be adapted to the company Fernandes to achieve the best results when screening the target countries on the market potential of Fernandes.

4. Market screening testing of market/ industry screening model

4.1 Introduction

The previous chapter covered the internal factors. These factors are controllable. The second research question *which country market factors are important to consider when screening potential target markets for Fernandes?* covers the external environment; the country screening. These factors are uncontrollable and differ from country to country. Therefore the market screening will be adapted to each particular market.

Screening for the best country to target is a fundamental decision in international business. Once a firm chooses a particular country, it needs to ensure that conditions for exporting to that country are favorable. Exporting firms should target countries with low tariff barriers, steady demand, and qualified intermediaries (Cavusgil et al., 2008).

The choice of markets is particularly important in the early stages of internationalization. Failure to choose the right markets will not only result in a financial loss, but the firm will incur opportunity costs as well.

In planning international market entry strategies, managers are striving to match products against markets. Therefore this country/ market screening gives more insight into which countries have uncontrollable external factors which are most attractive for the company Fernandes.

According to Cavusgil (1995), the first stage in a sequential screening process for a company is to select the more attractive countries that it wants to investigate in detail. After deliberation with the management of Fernandes, the first stage in the sequential screening model, as shown in figure 2.8, the preliminary screening starts with six target countries: Belgium, France, Germany, Spain Turkey and the United Kingdom. These countries will be screened with use of the OMOI factors of Cavusgil (1997 & 2008).

After the preliminary screening, three countries will be selected for in-depth screening. The focus of the in-depth screening will be on assessing industry market potential, the fourth task of the global market opportunity assessment of Cavusgil et al. (2008). The industry market potential is an estimate of the likely sales that can be expected for all firms in the particular industry for a specified period of time. The result will be an aggregate of the sales that may be realized by all companies in the industry. Estimating industry market potential enables the manager to refine the analysis and identify the most attractive countries for the firm's product of service.

4.2 Methodology

The first stage in the market screening process used in this research, as shown in figure 2.8 and 2.9, is the preliminary screening. During this stage, the OMOI factors of Cavusgil provide the basis. The method of scoring and measuring the factors with use of the OMOI of Cavusgil is shown in figure 4.1: Model for measuring foreign market potential. This model shows how the six target counties will be quantified and ranked during this research to measure the market potential of the target countries. The results of each factor and the measurement of how each measure is used can be found in appendix 5: elaboration chapter 4; preliminary screening.

During the preliminary screening, the OMOI factors will be used to measure market potential. At this stage, the factors focus on the total market of the target country. The weights used to indicate the importance of each variable are adapted to the preferences of the company Fernandes.

Market size and market receptivity both have a value of 4. These indicators are important for Fernandes, because it gives information about whether the market is large enough and has a future for doing business. As Cavusgil states, a sizeable market by itself is insufficient. The indicator population living in de largest city of a company gives more information measuring the reach of potential consumers when launching the products.

Market receptivity is important because when Fernandes is starting to export, this will be most feasible in countries where the trade in goods and services and the imports of goods are high.

Market growth rate, market intensity and market consumption capacity are rated with a value of 3. A market should be growing at a stable or substantial rate to be a good prospect for international sales. Countries with robust income growth are desirable target markets (Cavusgil, 2008). Market intensity is the buying power of the residents of a country in terms of income level. Countries with a higher GDP per capita offer better prospects for doing international business.

Market consumption capacity is the amount of products that can be absorbed in an overall market. This indicator is important because it gives an indication of the potential sales in a market. Logically, the more products can be absorbed in a market, the better the prospect of the country is.

Commercial infrastructure and economic freedom are rated with a value of 2. These indicators are rated lower, because the focus is more on product and market factors. Environmental factors play a secondary role.

EXTERNAL FACTORS			
Variable	**Definition**	**Weight**	**Measures used**
Market size	Proportion of the country's population concentrated in urban areas	4	• Urban population (million) -2007 • Urban population (% of total) – 2007 • Urban population growth (annual %) -2007 • Population in the largest city (%of urban population) -2007
Market growth rate	Pace of economic development	3	• Real GDP growth rate (%)- 2007
Market intensity	Buying power of the country's residents	3	• GNI per capita estimates using PPP (US dollars) -2007 • Private consumption as a percentage of GDP (%) -2007
Market consumption capacity	Size and growth rate of the country's middle class	3	• Percentage share of middle-class in consumption/ income - 2007
Commercial infrastructure	Ease if access to marketing, distribution, and communication channels	2	• Paved road density (km. per million people)-2007 • Total telephone subscribers (per 1100 habitants)-2007 • Main telephone lines (per 100 habitants -2007 • Cellular mobile subscribers (per 100 habitants) -2007 • Internet users (per 100 habitants) -2007
Economic freedom	Degree to which the country has liberalized its economy	2	• Economic Freedom Index-2009
Market receptivity	Extent to which the country is open to imports	4	• Per capita imports from US (US dollars) -2007 • Trade as a percentage of GDP (%) -2007

Figure 4.1: Model for measuring foreign market potential. Based on: Cavusgil (1997 & 2008)

The in-depth screening is the second and final step of the market assessment tool, as shown in figure 2.8 and 2.9. The in-depth screening will focus on the assessment of industry market potential. This screening step starts with the three countries that have been selected during the preliminary country screening. The selected target countries are: Belgium, Turkey and the United Kingdom.

To develop an estimate of industry market potential during this in-depth screening, data and insights of the variables shown in figure 4.2 will be measured.

The variables used are based on the variables used by Cavusgil et al. (2008) in their method of global market opportunity assessment.

The measures used to gain information on the variables need to be adapted to the industry the company operates in. For this reason, the measures used to gain more insight in industry market potential focus on the soft drinks market.

Also the indicators of the in-depth screening have all been given weights from 1 to 4 and each country could receive a maximum score of 3 on every indicator. The results of this ranking method should provide this research with the necessary information to select the country with the highest sales potential.

After selecting the most promising target country, the next step is how to implement the market screening tool in the company Fernandes and which adaptations should be made.

The most important variable of the in-depth screening is the variable focusing on unique customer requirements and preferences. The measures selected to measure this variable indicate the importance of elements that need to be present in the target country that have an effect on the success of Fernandes in that country. Therefore a weight of 4 has been given to this variable.

The market size received a weight of 3. It is important to enter a market that has a large market for carbonated soft drinks beforehand. This offers better opportunities than entering a market with small carbonated soft drinks consumption. The industry specific market potential indicators receive a weight of 2.

EXTERNAL FACTORS			
Variable	**Definition**	**Weight**	**Measures used**
Market size/ market growth rate	Market size soft drinks industry and carbonates	3	• Market size soft drinks (million liters) • Market size carbonates (million liters) • Carbonates consumption (liters per capita)
Unique customer requirements and preferences	Distribution soft drinks sectors	4	• Percentage fruit-flavored carbonates of total soft drink sectors 2007 (million liters) • Percentage carbonates of total soft drink sectors 2007 (million liters)
Industry Trends	Health and wellbeing: distribution regular versus low calorie carbonates		NO SCORE ADDED
(5.5)Industry-specific market potential indicators	Climate related factors	2	• Comparison average temperature per month, 2008 • Comparison total rainfall mm. per month, 2008 • Comparison total sunshine hours per month, 2008

Figure 4.2: Model for measuring industry market potential

4.3 Results

With use of market screening theory, the market screening tool as shown in figure 2.10 is developed. The focus of this chapter is to show which country market factors are important for Fernandes. The methodology used and the indicators and weights chosen are shown in the previous section. The next step is to test the market/industry screening tool with use of the indicators and weights that have been selected during this research.

The market/industry screening model includes two phases; the preliminary screening and in-depth screening and has been tested during this research according to an application of the model to screen six target countries. During the preliminary screening the model has been applied to the selected target countries. The elaborations of the results of the individual indicators measured during the preliminary screening are shown in appendix 5. A score has been given per indicator to each country. The scores on the different indicators per country are shown in figure 4.3.

RESULTS PRELIMINARY COUNTRY SCREENING														
Country		Belgium		France		Germany		Spain		Turkey		United Kingdom		
Indicator	Weight	Score	Total	Score	Total	Score	Total	Score	Total	Score	Total	Score	Total
Market size	4	2	8	2	8	2	8	2	8	3	12	2	8
Market growth rate	3	2	6	1	3	1	3	2	6	3	9	2	6
Market intensity	3	3	9	3	9	3	9	3	9	1	3	3	9
Market consumption capacity	3	2	6	3	9	3	9	3	9	2	6	2	6
Commercial infrastructure	2	3	6	2	4	3	6	2	4	1	2	3	6
Economic Freedom	2	3	6	2	4	3	6	3	6	2	4	3	6
Market receptivity	4	3	12	2	8	3	12	1	4	1	4	2	8
Total	20	18	53	15	45	18	53	16	46	13	40	17	49
Rank			**1**		**5**		**1**		**4**		**6**		**3**

Figure 4.3: Results preliminary country screening

After this first screening process, three target countries have been selected for in-depth screening. The selected countries are: Belgium, Germany and the United Kingdom, because these countries received the highest total scores.

During the in-depth screening, the focus has been narrowed town to assessing the industry market potential for these most promising countries. Using the selected industry market potential indicators and added weights to the indicators results in the scores shown in figure 4.4. The elaborations of the different indicators are shown in appendix 6: elaboration chapter 4; in-depth screening. Figure 4.4 shows that Germany offers the best prospects for exporting the Fernandes soft drinks to. Germany scores highest on almost all of the selected indicators and thus offers the best prospects for doing international business for Fernandes.

RESULTS IN-DEPTH COUNTRY SCREENING								
Country			**Belgium**		**Germany**		**United Kingdom**	
Indicator	Weight		Score	Total	Score	Total	Score	Total
Market size soft drinks	**3**		1	3	3	9	2	6
Market size carbonates	**3**		1	3	3	9	2	6
Carbonates consumption	**3**		3	9	3	9	2	6
Percentage carbonates of total soft drinks sectors	**4**		2	8	1	4	3	12
Percentage fruit-flavored carbonates of total soft drinks sectors	**4**		3	12	3	12	1	4
Comparison average temperature per month	**2**		3	6	3	6	2	4
Comparison total rainfall per month	**2**		3	6	3	6	2	4
Comparison total sunshine hours per month	**2**		3	6	3	6	2	4
Total Score	**23**		16	41	22	61	16	46
Rank				**2**		**1**		**3**

Figure 4.4: Results in-depth country screening

4.4 Conclusion

This chapter has shown how to use the market screening tool. This tool provides a method to secure a supported market entry plan when planning to choose a target country for export. The factors measured during the country/ market screening can be adapted to each company and the industry a company operates in. There are multiple factors that can also be included in the screening phases when applying the tool to the situation of Fernandes. During this research the factors that are shown in figure 4.4 have been chosen. In the future, it is up to the management of Fernandes whether to add or remove some of the screening factors.

During the preliminary screening Belgium, Germany and the United Kingdom have been selected. The selected countries are all psychologically close countries. Belgium and Germany both have a total of 53 points. Both countries offer good prospects on multiple important indicators. The difference with the United Kingdom is on market receptivity, which is an important indicator for Fernandes. The trade in goods and services in the United Kingdom is relatively low, whereas the total of imports of goods is much higher. Germany scores highest on the imports of goods, which offers good prospects of this indicator when importing the soft drinks of Fernandes.

The focus of the OMOI factors is on measuring market potential of a total market. During this preliminary screening phase there was no focus on indicators of the soft drink markets. By using this method, Turkey received the lowest scores in the preliminary screening and will not be further investigated. This does not

directly mean that Turkey also would have received low scores on the in-depth screening phase. Because Fernandes is already negotiating with a local distributor in Turkey, it is advisable to the management to continue the screening process for Turkey before signing any contract. Using the market/industry screening tool to gain detailed market information will provide an advantage over the competition in Turkey.

From the six target countries, Germany has been selected as most promising target country with use of the screening indicators. Germany received high scores on almost all indicators used in the in-depth screening phase. Based on these results, one can say that Germany offers the best opportunities for market entry.

The next step of the global market opportunity assessment is to analyze competitive forces; marking an analysis of the profile of competitors and to select foreign business partners. Furthermore, an executive of Fernandes should visit those countries that still appear to be good prospects. This has not been covered during this research. It is up to the management of Fernandes whether to continue with the tasks of the global market opportunity assessment. To support this decision, the next chapter will focus on the adaptation and implementation of the market/industry model in the company of Fernandes. Advice will be given about how Fernandes should use and implement the market screening model to achieve the best results when continuing the process of market opportunity assessment in the future.

5. Adaptation and implementation of the market/industry screening tool

5.1 Introduction

The market/industry screening tool developed during this research offers Fernandes a method how to select countries that offer the best opportunities for export market entry. Cavusgil (1997 & 2008) provided useful methods regarding market screening. The structure of the overall market opportunity index and the method of global market opportunity assessment provided the necessary information to form the basis of the market screening tool as shown in figure 2.10.

As Cavusgil et al. (2008) state, estimating market demand requires managers to be flexible and creative to gather the necessary information. The choices managers make determine the future of the firm. Making good choices depend on objective evidence and hard data about which products and services to offer, and where to offer them. The more managers know about an opportunity, the better equipped they will be to exploit it. Therefore the main reason for conducting this research was to provide Fernandes with the necessary information to be able to see the market opportunities in the selected target countries. To encourage Fernandes to continue the steps of market opportunity assessment, this chapter focuses on the adaptation and implementation of the market screening model in the organization. The research question answered during this chapter is: *How should Fernandes use and implement the market screening model?*

5.2 Adaptation

Global market opportunity refers to a favorable combination of circumstances, locations or timing that offers prospects to for example exporting in foreign markets. The opportunity of Cavusgil et al. (2008) defined six key tasks that the manager should perform to define and pursue global market opportunities. These are:

(1) Analyze organizational readiness to internationalize.
(2) Assess the suitability of the firm's products and services for foreign markets.
(3) Screen countries to identify attractive target markets.
(4) Assess the industry market potential, or the market demand, for the product(s) or service(s) in selected target markets.
(5) Select qualified business partners, such as distributors or suppliers.
(6) Estimate company sales potential for each target market.

As stated in section 2.1, in carrying out this systematic process, the manager needs to employ objective selection criteria by which to market choices. During this research the first four tasks have been analyzed and the following selection criteria have been used while developing the market/ industry screening model, as shown in figure 2.10.

The measurement indicators used by Cavusgil en al. (2008) are rather generic and of a broad nature. The ranking and indexing methodology that has been used during this research is intended for use in the early stages of qualifying and ranking countries. Therefore the second stage of the industry/market screening tool, developed during this research, focuses on in-depth screening indicators to assess industry market potential.

Because the generic and broad nature of theories developed in previous research studies, this research adapted this theory to the soft drinks industry specifically. By doing this, during the preliminary screening, the weights have been adjusted to the Fernandes company and during the in-depth screening, the industry/market factors overall have been adjusted to the soft drinks industry.

Add industry specific indicators to the preliminary screening phase
Because of the broad nature the OMOI factors during the preliminary screening, Turkey scored low on several indicators because it is the only emerging market selected as a target country. This results in lower scores indicators like per-capita welfare while Turkey scores high on market size and market growth rate. An adaptation of the model can be realized by adding industry specific indicators like market size and market growth rate of soft drinks industry to the preliminary screening phase. This can result in different scores and maybe even a different country selection.

Continue the screening process for Turkey
Because Fernandes is already negotiating with a local distributor in Turkey, it is advisable for the management to continue the screening process for Turkey before signing any contract. Using the market/industry screening tool to gain detailed market information will provide an advantage over the competition in Turkey.

Adapt the in-depth screening indicators to each specific situation and time
The adaptation of the indicators to the soft drinks industry is important to emphasize because these indicators vary substantially from those used for other industries. The purpose of this in-depth screening was to estimate the current and future levels of sales expected for the soft drinks industry. Estimating this industry market potential enables the management of Fernandes to refine the analysis and identify the most attractive countries for the Fernandes soft drinks.

The choices of the indicators that have been selected for the in-depth screening have been the result of international business literature study and from interviews with the management of Fernandes. During this study there has been chosen to focus on the aspects that are relevant to the soft drinks industry during the time this research has been conducted, namely: health and wellbeing and climate related factors.

The choice of indicators to measure the in-depth screening factors is time related. Therefore, when using this model in a different situation or for different target countries, the in-depth screening indicators should be adapted to that specific situation and time.

Add other industry-related factors to the screening process
Also other industry-related factors can be added to get more insight in the soft drinks market. An example is to research the number of competitive products. Countries with fewer competitive products offer better prospects for doing business in. Screening indicators can easily be added or removed, because the in-dept screening factors (market size/market growth rate, unique customer requirement and preferences, industry trend and industry-specific market potential indicators) are rather general and easy to use.

5.3 Implementation

Successful exporting starts with a well-developed strategy. The market/industry screening tool provides a method to gather detailed market information before entering a target market. When starting to use the market/industry screening tool the management of Fernandes should be aware of the market developments of the target country and the preferences of potential buyers. By using the screening tool and by gathering information on the several screening indicators, Fernandes can commit their resources more effectively. The proposed market/industry screening tool provides a method to systematically explore markets for export possibilities. After the selection of a target market, Fernandes should commit adequate resources to exporting and adjust their current marketing and sales activities to the preferences of the target market in order to be successful in a foreign country.

The market/industry screening tool is a clear and easy to use model. It can easily be adapted to a new situation and a new environment, which makes it a useful tool for companies planning to enter a foreign market. The goal is first to focus on the current situation; the strengths and weaknesses of the situation. By doing this and by using the strengths of the company and its products to select the in-depth screening indicators to use in the model, the company is able to select that country which offers the best opportunities for their products.

Implementing the market/industry screening tool in the strategy of the company Fernandes has an important impact on the current situation. The changes that have to be made and the additional tasks that will be derived, result in the following implementation guidelines:

Select local business partners and visit the most promising target countries
The next step for the management of Fernandes is to focus on the two final tasks Cavusgil et al. suggest; making a competitive screen and to visit the most promising target countries. The management should use the results of this research in order to continue the screening process and to select a target country and continue with setting up objectives and tasks how to realize the continuation of the tasks.

Hire an international export manager

The new tasks focusing on international market opportunities have to be assigned to employees capable and with knowledge of international business. Because there is only one international marketing and sales manager for Fernandes while the Dutch soft drinks market for Fernandes is still growing, it is advisable to hire a second international manager focusing on export.

Use the production facilities of CCE

The implementation of the market/industry screening tool will be effective for the company Fernandes because there are several growth opportunities. When Fernandes hires an additional international manager, the focus on the Dutch market will not be reduced. The new manager can focus on the additional tasks the implementation of the international strategy will bring.

Because Fernandes is a licensed product of CCE, the production facilities are large and can cover the potential growth in volume when starting to export.

5.4 Conclusion

Estimating market demand requires managers to be flexible and creative to gather the necessary information. The market/industry screening tool is a clear and easy to use model which indicators can be adapted easily to the industry a company operates in the kind of information the management is interested in. When Fernandes implements the market/industry screening tool in their company, they need to continue the screening process with a visit to the most promising target country (Germany) and to select qualified business partners. Because continuing the screening process requires several additional tasks, it will be advisable to hire a new manager focusing on international market opportunities. At this way, the current international marketing and sales manager can stay focused on the Dutch market.

Because of the broad nature the OMOI factors during the preliminary screening, Turkey scored low on several indicators because it is the only emerging market selected as a target country. When adapting the model during the preliminary screening and including a screening indicator of industry market size and market growth, this may result in a different selection of promising target countries. When the management of Fernandes is planning to continue the negotiations it is advisable to continue the country screening for Turkey to get more insight on the industry specific market data.

The choice of indicators to measure the in-depth screening factors is time related. Therefore, when using this model in a different situation or for different target countries, the in-depth screening indicators should be adapted to that specific situation and time. The manager focusing on export opportunities should take this into account to achieve the best results when using the screening tool.

6. Conclusions and recommendations

6.1 Introduction

This research focused on screening European target market for the export of Fernandes soft drinks. It gives an answer to the following research problem:

> *"How can Fernandes analyze and compare the attractiveness of European soft drink markets?"*

To give an answer to this problem, this research has focused on identifying internal and external factors for international market entry important to Fernandes, operating in the soft drinks industry.

The general internal and external screening factors selected for the market screening tool were identified from international business literature. The importance of each indicator for the situation of the company Fernandes is in has been shown by adding weights to each of the indicators. The distributions of the weights have been chosen by the researcher and the management of Fernandes.

The focus of the in-depth screening factors was on indicators relevant to the soft drink sector. By using the general industry market potential variables used by Cavusgil et al. (2008), current screening indicators have been selected to achieve the most actual results to get the best conclusions.

6.2 Conclusions

The most promising country for Fernandes to do business in, in Europe is Germany, followed by Belgium and the United Kingdom. The answer to the problem formulation is conducted by answering the research questions in the following way:

Research question 1: *What are the characteristics of Fernandes influencing the market screening tool?*

- The Fernandes soft drinks are very profitable and competitive in the Netherlands. The strength of the product is its unique taste and loyal consumer group. Citizens from the Caribbean provide the largest target group. When this population is not present in the potential target country, Fernandes first needs to focus on brand awareness of other potential consumer groups to gain market share.

- Fernandes is a fruit-flavored soft drink. It is important to enter a foreign market with a large group of soft drink consumers with a preference for fruit-flavored carbonates.

- Fernandes is a very specific product operating in a typical market. Major competitors offering Caribbean soft drinks operate in the same market as Fernandes. Therefore Fernandes should focus on its unique aspects to stand out from its competitors.

- The production capacity of Fernandes is large because Fernandes can use the production skills and capacity of CCE. When Fernandes makes the decision to export, the production capacity available covers the growth in sales. When it is possible for Fernandes to become a licensed product in another CCE country (like Belgium or the United Kingdom), the company can make use of the network of CCE.

Research question 2: *Which country market factors are important to consider when screening potential target markets for Fernandes?*

- The screening factors used in the market/industry screening tool can be adapted to each company and the industry they operate in.

- From the preliminary screening, Belgium, Germany and the United Kingdom are selected. These are psychologically close countries.

- The major difference is the market receptivity indicator; an indicator with a high score in the screening process. The trade in goods and services in the United Kingdom is relatively low, whereas the total of imports of goods is much higher.

- Germany scores high on the imports of goods, which offers good prospects when importing to soft drinks of Fernandes to this country.

- Because Fernandes already is in discussion with a local distributor in Turkey, it is advisable for the management of Fernandes to complete the in-depth screening process to gain more market insights before entering the market.

- During the in-depth screening, Germany scores high on almost all indicators. Based on the results of the total country screening, from the six target countries, Germany has been selected as most promising target country.

Research question 3: *How should Fernandes use and implement the market screening model?*

- Because of the broad nature the OMOI factors during the preliminary screening, Turkey scored low on several indicators because it is the only emerging market selected as a target country. When adapting to model during the preliminary screening and including a screening indicator of industry market size and market growth, this may result in a different selection of promising target countries.

- The market/industry screening tool is easy to use and the indicators used can easily be adapted to different industries and different companies.

- When Fernandes implements the market/industry screening tool, it needs to continue the screening process with a visit to the most promising target country (Germany) and to select qualified business partners.

6.3 Recommendations

1. Complete all phases of the market/industry screening tool in the suggested order.
When companies fail in their international business ventures, it is often because they neglect to conduct a systematic and comprehensive assessment of global market opportunity (Cavusgil et al., 2008). With this in mind, a systematic screening tool is developed during this research. The screening model is a sequential screening process. It is advisable to use the model in the proposed order. Past research has shown that this gives the best results and will secure a supported market/ industry assessment.
Although the market/industry screening tool presents several tasks and methods for assessing market potential in a sequential manner, firms do not necessarily pursue them in succession. The process is highly dynamic and time-related. Market conditions change, partner performances may fluctuate and competitive intensity will increase. Therefore the management of Fernandes should constantly evaluate all phases and the decisions that have been made during the process. The management must be open to making course changes as circumstances dictate.

2. Hire an international export manager
Implementing the market/industry screening tool and focusing on export strategies will result in several additional tasks to continue the screening phases. These tasks have to be assigned to employees capable and with knowledge of international business. Because there is only one international marketing and sales manager for Fernandes while the Dutch soft drinks market for Fernandes is still growing, it is advisable to hire a second international manager focusing on export. This manager should have insight in international business literature and should be able to use this theoretical knowledge in a practical situation.

3. Select qualified business partners

Business partners are critical to the success of the focal firm in international business. Once an international export manager has been hired, the focus needs to be on selecting qualified business partners.

During this research, Germany has been selected as the most promising target country. Fernandes needs to decide on the type of partners it requires for their export goals. Exporters tend to collaborate with foreign-market intermediaries such as distributors and agents (Cavusgil et al., 2008). The management of Fernandes of the new international export manager needs to identify suitable partner candidates, negotiate the terms of its relationship with chosen partners, and support as well as monitor the conduct of the chosen partners. The success of the company Fernandes when conducting their export plans depends on their ability to perform these tasks as well.

4. Visit potential target countries

Before selecting one target market, the international export manager should visit those potential target countries that still appear to be good prospects. For Fernandes the most promising country is Germany. This country should be visited first, but it is also advisable to visit Belgium and the United Kingdom to make an estimation of the company sales potential in each target country. Before leaving, the international export manager needs to review the data from the screening phases from the screening tool along with any new information that can be supplied.

5. Make use of CCE network.

Despite Germany being selected as the most promising target country, the manager that will focus on export should also take into account is that Belgium and the United Kingdom are, like the Netherlands, CCE countries, which provides for a network and knowledge that is already available. Maybe in these countries there also will be an opportunity for a licensed product of CCE in the future. By making use of the CCE network it will be easier and faster to create brand awareness and market share. Because Germany is not a CCE country, more market knowledge should be gained before entering a market, because Fernandes needs to create a network without CCE support.

6. Continue the contact with business partners in Turkey.

During the preliminary screening the proposed model focused on country market factors. Because Turkey is an emerging market, it scored low on indicators like market intensity, commercial infrastructure and market receptivity. Because of these low scores, Turkey has not been selected as a target country during the in-depth screening phase. This does not directly mean that Turkey does not have good prospects. Turkish people have a preference for tastes that correspond to the tastes of the Fernandes soft drinks. Furthermore, when screening Turkey on the in-depth screening factors, Turkey would score probably high on the climate related factors, because of the good weather in that country.

Another reason why Turkey offers good prospects is that the management of Fernandes already has contact with a local business partner. As Root (1994) stated an important objective of the marketing effort is to achieve a *'first-mover'* advantage. A marketer who can preempt competitors and be first in supplying relevant information to buyers will have a head start in the selling process. First movers often have a task of screening for good distributors. Late movers often have to settle with second best distributor when a first mover has signed an exclusive contract.

Because management has already spoken to a local business partner, it is advisable for the management of Fernandes to complete the screening process for Turkey to get a better view of the opportunities of Fernandes in Turkey before actually entering de market.

6.4 Reflection

Several authors have written about foreign market entry and the process of country screening. The difficulty was to select a screening method most applicable to the Fernandes requirements. The theory of Root provided a good basis for my screening method, but no examples of indicators were given. Several research studies needed to be combined to create a tool that recognizes the importance of the distribution and connection of internal and external factors and which includes industry-specific variables and indicators. My goal was to create a systematic and easy to used and adapt screening tool and I hope this research contributes to previous international business studies.

Cavusgil states that in developing market estimates of any kind, managers must be creative and must consult any resource that may shed light in the task at hand. Data and resources pointed out to be rarely complete and documents from research centers are very expensive to purchase. The limitation of incomplete data and expensive resources was also apparent during this research.

To gain the best results during the market assessment, a lot of market data needed to be gathered to compare the target country on the selected indicators. The comparison of data is most reliable and comparable when data for an indicator is measured by the same research center. A guideline for improving data quality is to maximize the validity of our measurements. According to King et al. (1994) validity refers to measuring what we think we are measuring. Because I needed to collect different market data on the several indicators during the elaboration of the screening model, it appeared to me that the fact and figures of a country differed significantly from the point of view of different research centers (e.g. UNESDA, Zenith International and Canadean). Because large amounts of money have to be paid to the research centers before getting the research documents, it was not possible for me to get country data of the soft drinks markets from the same research center. This limitation made me search for different data that eventually appeared to be comparable, but because I compared data from different research centers, this could have affected the validity of the results.

At the same time, the comparison of data from different research center could have had an influence on the reliability of the data collected. Reliability means that applying the same procedure in the same way will always produce the same measure (King et al., 1994). This will only be the case when the data of the same research centers used per indicator in this research will be used in future research. Using data from other research centers will probably result in different data information.

6.5 Recommendations for further research

Additional research needs to be done on the nature of the influence of internal factors on external factors. Root emphasizes the importance of this influence, but no conclusions can be made about the extent to which internal factors influence external factors and whether this differs per industry.

Future research should focus on whether adding industry-specific market factors to the preliminary screening have an effect on the results of this screening phase.

Emphasis should also be placed on the inclusion of other in-depth screening factors in the market/industry screening tool to see whether or not other indicators have an influence on the results of the screening process.

A closer look should be taken at the competitive companies. Research information of successful companies with years of experience in the soft drink industry can be used by Fernandes when entering a market.

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http://www.marketresearch.com Market research database

http://www.metoffice.gov.uk Met Office. A research center that provides statistical data about the United Kingdom

http://www.statline.bcs.nl StatLine is a public, by the Internet accessible, database.

http://www.statbel.fgov.be Statbel. A database providing statistics of Belgium.

http://www.unesda.org European trade association representing the non-alcoholic beverages industry.

http://www.worldbank.org World Bank Group. Provide High quality national and international statistics, and global statistical programs.

http://www.zenithinternational.com Zenith International. A research center that provides consulting services to the food and drink industries worldwide.

"Fernandes on the move"
Market Screening Tool for Fernandes

Master thesis Business Administration
International management

Appendices

By

Linda Nalis

University of Twente
Enschede, the Netherlands
June 2009

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Appendix 1: Organization scheme Coca Cola NL

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                          │   Coca-Cola NL  │
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                          └────────┬────────┘
              ┌────────────────────┴────────────────────┐
              ▼                                          ▼
      ┌─────────────────┐                      ┌─────────────────┐
      │ The Coca-Cola   │                      │   Coca-Cola     │
      │    Company      │                      │  Enterprises NL │
      └────────┬────────┘                      └────────┬────────┘
         ┌─────┴─────┐              ┌───────────────────┼───────────────────┐
         ▼           ▼              ▼                   ▼                   ▼
  ┌──────────┐ ┌──────────┐ ┌──────────────┐  ┌──────────────┐  ┌──────────────┐
  │Owner Coca│ │ Marketing│ │Production  F │  │Sales       F │  │Distribution F│
  │-Cola     │ │          │ │            e │  │            e │  │            e │
  │brands    │ │          │ │            r │  │            r │  │            r │
  └──────────┘ └──────────┘ └──────────────┘  └──────────────┘  └──────────────┘
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Appendix 2: Overview Fernandes 2004-2007

PERIOD	QUANTITY	YEAR TOTAL	% GROWTH
1-2004	44.141		
2-2004	49.850		
3-2004	72.341		
4-2004	58.890		
5-2004	63.188		
6-2004	78.257		
7-2004	54.537		
8-2004	69.678		
9-2004	74.733		
10-2004	55.773		
11-2004	56.534		
12-2004	75.385	**753.307**	
1-2005	45.514		
2-2005	50.273		
3-2005	68.627		
4-2005	81.101		
5-2005	50.003		
6-2005	101.052		
7-2005	72.040		
8-2005	56.876		
9-2005	90.455		
10-2005	59.169		
11-2005	56.955		
12-2005	82.424	**814.489**	**+ 8.12%**
1-2006	48.661		
2-2006	54.146		
3-2006	71.118		
4-2006	72.013		
5-2006	77.651		
6-2006	87.145		
7-2006	91.187		
8-2006	67.359		
9-2006	88.465		
10-2006	64.838		
11-2006	62.679		
12-2006	77.777	**863.039**	**+ 5.96%**
1-2007	53.739		
2-2007	72.396		
3-2007	88.648		
4-2007	68.954		
5-2007	91.968		
6-2007	139.878		
7-2007	68.288		
8-2007	98.097		
9-2007	111.330		
10-2007	74.597		
11-2007	74.826		
12-2007	112.380	**1.055.101**	**+22.25%**

Appendix 3: Fernandes Volumes in CCE Cases

Appendix 4: Article Algemeen Dagblad, 19 -01- 2009

More soft drinks sales as a result of credit crunch

By CHRISTA VAN DER HOFF

DIEMEN – The Dutch consumer drank last year more soft drinks than in 2007. Drinking 2.36 billion liter in 2007, last year this was 2.44 liter. This is about 153 liter per person.

Picture ANP

This is a result of the latest figures of market researcher Nielsen the Netherlands.

,,The crisis is one of the reasons of the higher consumption'', says Han Eisma van Nielsen the Netherlands. ,,The people have less to spend and are therefore drinking more at home''.

Prominent is that less mineral water without an added taste was consumed. According to general director Hessel de Jong of market leader Coca-Cola the Netherlands, that is selling the mineral water Chaudfontaine since 2003, the consumer is taking more tap water in this time of crisis.

The big winners in 2008 were the energy drinks. A growth of more than twenty percent in volume and a growth of 24 percent in turnover has been realized. ,, I would connect the large growth of energy drinks to the ever-growing popularity of energy drinks alongside youngsters. Because of this the offer in supermarkets is also growing, says Eisma. Energy drinks are relatively small in the total soft drinks market with a percentage share of 2.5.

The losing products in 2008 were the fruit juices and the mineral waters without an added flavor. The soft drink most consumes is still the cola flavored soft drinks, realizing 20% of the total soft drinks consumption. On a good second place, the syrups follow.

Appendix 5: Elaboration Chapter 4; Preliminary Screening

Market size
Among the variables, *market size* and *market growth rate* are especially important for measuring market potential. They address the question "Is the market big enough and does it have a future?" If a country's population is large and its per-capita income is substantial, it is probably a good prospect for international sales. By itself, a sizeable market is insufficient. The market should also be growing at a stable or substantial rate, particularly in terms of population or income. Countries with robust income growth are desirable targets (Cavusgil et al., 2008).

According to the OMOI factors, the market size of target countries is measured by the urban population of a country. In addition to this, figure 5.1 also shows the urban population as a percentage of the total population, the urban population growth and the percentage of population living in the largest city of the target country. This last indicator is added because when a company is starting to export, the product will first be introduced in the largest cities, because it is easier to reach more people in a relatively smaller area. Also in the Netherlands, Fernandes was first introduced in the capital cities, because of the high amount of Surinam people living in these cities. Therefore the sales and familiarity of Fernandes by consumers is largest in the largest cities in the Netherlands. When Fernandes grew in sales, it also grew in familiarity by consumers living in cities other than the capital cities.

MARKET SIZE INDICATORS									
Country	Urban population - 2007	*Score*	Urban population (% of total) - 2007	*Score*	Urban population growth (annual %) -2007	*Score*	Population in the largest city (% of urban population) -2007	*Score*	Total score	**Converted score (total/ 4)**
Belgium	10.343.057	*1*	97,3	*3*	0,8	*2*	9,9	*1*	7	**2**
France	47.600.836	*2*	77,1	*1*	0,9	*2*	21	*3*	8	**2**
Germany	60.516.604	*3*	73,6	*1*	0	*1*	5,6	*1*	6	**2**
Spain	34.547.813	*2*	77	*1*	1,9	*3*	16,8	*2*	8	**2**
Turkey	50.406.211	*3*	86,2	*2*	1,9	*3*	20	*3*	11	**3**
United Kingdom	54.845.477	*3*	89,9	*2*	0,8	*2*	15,7	*2*	9	**2**

Figure 5.1: Market size indicators. Data source: CIA World Factbook

Explanation distribution scores:
 • Urban population:
Up to 30 million is scored with one point. From 30 million up to 50 million is scored with two points. 50 million and higher is scored with 3 points.
 • Urban population (% of total):
A percentage of urban population between 70% and 80% received a score of 1 point. A percentage between 80% and 90% received 2 point and a percentage of 90% and higher received 3 points.
 • Urban population growth:
Germany had zero growth and received one point. A growth percentage up to 1.0% received 2 points and a growth of 1% and higher received 3 points.
 • Population in the largest city:
A percentage up to 10% received a score of 1 point. A score between 10% and 20% received 2 points and a percentage of 20% and higher received 3 points.

Market growth rate

As stated in the previous section, a sizeable market by itself is insufficient. The market should also be growing at a stable or substantial rate, particularly in terms of population or income. Cavusgil et al. (2008) recommend to measure growth statistics of the past 3 to 5 years. A key question is whether or not market growth has been consistent year to year. Therefore the OMOI factors take the GDP real growth rate into account. The growth percentages of the past five years are used to show the development of the countries.

As shown in figure 5.2, the Turkish market achieved large growth over the last years. This is an important development, because it makes the Turkish market more competitive. Because Turkey is the only market chosen as target market outside Europe and is still a developing country instead of a developed country, it is important that in the upcoming years, the market will continue to grow to be more competitive

GDP REAL GROWTH RATE (%) 2004-2008							
Country	2004	2005	2006	2007	2008	Total	**Converted score** (total/ 5)
Belgium	0.8	2.6	1.5	3.0	2.7	10.6	**2**
France	0.5	2.1	1.4	2.1	1.9	8.0	**1**
Germany	-0.1	1.7	0.9	2.7	2.5	7.7	**1**
Spain	2.4	2.6	3.4	3.9	3.8	16.1	**2**
Turkey	5.8	8.2	5.6	5.3	4.5	29.4	**3**
United Kingdom	2.2	3.2	1.8	2.8	3.1	13.1	**2**

Figure 5.2 GDP Real growth rate (%) 2004-2008. Source: GlobalEDGE

Explanation distribution scores:

A mean score between 0.0% and 2.0% received a score of 1. A mean score between 2.0% and 4.0% received a score of 2 and a mean score of 4.0% or higher received a score of 3.

Market intensity

Market intensity is the buying power of the residents of a country in terms of income level. This is measured by a nation's Gross Domestic Product (GDP) at Purchasing Power Parity (PPP) exchange rates. This is the sum value of all goods and services produced in the country valued at prices prevailing in the United States. This measure is useful when looking at per-capita welfare and when comparing living conditions or use of resources across countries. The measure is difficult to compute, as a US dollar value has to be assigned to all goods and services in the country regardless whether these goods and services have a direct equivalent in the United States (CIA World Factbook).

As figure 5.3 shows, Turkey is the only country out of the six target countries which has a GDP per capita which is significantly lower than the other countries. This is a logical fact because Turkey is still an emerging country which still has to be developed. When this development will be positive over the coming years, this difference will be smaller in the future. But because the differences are this high, it will take a lot of years for Turkey to have a more compatible GDP per capita.

MARKET INTENSITY INDICATORS		
Country	GDP Per capita (ppp) \$/person - 2007	**Converted score**
Belgium	35.300	**3**
France	33.200	**3**
Germany	34.200	**3**
Spain	33.600	**3**
Turkey	12.000	**1**
United Kingdom	35.100	**3**

Figure 5.3: Market Intensity indicators. Data Source; CIA World Factbook

Explanation distribution scores:

A GDP per capita between \$10.000 and \$20.000 receives a score of 1. A GDP per capita between \$20.000 and \$30.000 receives a score of 2 and a GDP per capita over \$30.000 receives a score of 3.

Market consumption capacity

The consumption capacity of a country is the amount of products that can be adsorbed in an overall market. This is measured by the percentage share of middle-class in consumption/ income (see figure 5.4). The middle class is measured by the share of national income available to middle-income households. These middle-class consumer households are the best prospect for a typical marketer because the wealthier class in most emerging markets is relatively small and the poorest segment has little spending capacity. The relative size of the middle class, and the pace with which it is growing, also indicate how national income is distributed in that country. If income is not equally distributed, the size of the middle class will be limited and the market will not be very attractive (Cavusgil et al., 2008).

MARKET CONSUMPTION CAPACITY			
Country	Household income or consumption by percentage share (lowest 10%- highest 10%) - 2007	Percentage share of middle-class in consumption/ income - 2007	**Converted score**
Belgium	3.4 - 28.4	68.2	**2**
France	3.0 - 24.8	72.2	**3**
Germany	3.2 – 22.1	74.7	**3**
Spain	2.6 – 26.6	70.8	**3**
Turkey	2.0 – 34.1	63.9	**2**
United Kingdom	2.1 – 28.5	69.4	**2**

Figure 5.4: Market consumption capacity indicators.
Source: GlobalEDGE

Explanation distribution scores:
A middle-class percentage share over 60 received a score of 2. A percentage share over 70 received a score of 3.

Commercial infrastructure

The variable commercial infrastructure is measured to get insight in the ease of access to marketing, distribution and communication channels in the target country. This variable is measured by the indicators: *paved road density, total telephone subscribers, main telephone lines, cellular phone subscribers* and *internet users.*

The ease of access to distribution and communication channels indicates the attractiveness of a market and the appropriateness of doing business. As figure 5.5 shows are Belgium, Germany and the United Kingdom best developed with regard to the commercial infrastructure. These three countries received high scores for all the five indicators. This means that, according the theory of Cavusgil et al. (2008), these markets are very appropriate for doing business.

Explanation distribution scores:
- Paved road density

A larger population density per square kilometer is more positive to reach a larger amount of potential consumers in a smaller area.
A population density per square kilometer up to 150 received a score of 1. A density from 150-300 received a score of 2. A density of 300 and higher received a score of 3.
- Total telephone subscribers

The better access to communication channels, the better the commercial infrastructure in a country is. A higher the number of telephone subscribers, the better the access to communication channels is.
A total of telephone subscribers per 100 habitants up to 130.00 received 1. A total between 130.00 and 160.00 received a score of 2. A total of 160.00 and higher received a score of 3.
- Main telephone lines

The higher the number of main (fixed) telephone lines, the higher the score will be.
A total of main (fixed) telephone lines per 100 habitants up to 30.00 received a score of 1. A total between 30.00 and 50.00 received a score of 2. A total of 50.00 and higher received a score of 3.
- Cellular phone subscribers

The higher the number of mobile cellular subscribers per 100 habitants, the higher the score will be.
A total of mobile cellular subscribers per 100 habitants up to 100.00 received a score of 2. A total of 100.00 and higher received a score of 3.

- Internet users

The higher the total of internet users per 100 habitants, the higher the score will be.
A total of internet users per 100 habitants up to 30.00 received a score of 1. A total between 30.00 and 60.00 received a score of 2. A total of 60.00 and higher received a score of 3.

COMMERCIAL INFRASTRUCTURE												
Country	Population (Total Density) - 2007		*Score*	Total telephone subscribers - 2007	*Score*	Main (fixed) telephone lines - 2007	*Score*	Mobile cellular subscribers - 2007	*Score*	Internet users - 2007	*Score*	Total score	***Converted score*** *(total score/5)*
	(Million)	(per km2)		per 100 habitants		per 100 habitants		per 100 habitants		per 100 habitants			
Belgium	10.46	342	3	147.32	2	44.63	2	102.68	3	67.00	3	13	**3**
France	61.65	113	1	146.25	2	56.45	3	89.80	2	51.21	2	10	**2**
Germany	82.60	231	2	182.27	3	64.65	3	117.62	3	72.00	3	14	**3**
Spain	44.28	88	1	154.96	2	45.60	2	109.36	3	52.00	2	10	**2**
Turkey	74.88	96	1	107.08	1	24.31	1	82.77	2	16.24	1	6	**1**
United Kingdom	60.77	248	2	173.90	3	55.43	3	118.47	3	72.00	3	14	**3**

Table 5.5: Commercial Infrastructure Indicators. Source: GlobalEDGE & Worldbank

Economic freedom

The Index of Economic Freedom is reported annually by the Heritage Foundation, a research and educational institute. The Index of Economic Freedom analyzes a wide range of issues including trade barriers, corruption, government expenditures, property rights, and tax rated to generate and overall ranking of economic freedom. The highest ranked country is the country with the least number of restrictions and constraints on businesses (Heritage Foundation, 2009).

To compile the Index, 157 countries have been measured across 10 specific factors of economic freedom. The higher the score, the lower the level of government interference is. All countries are graded on a scale of 0 to 100.
The 10 freedoms measured are: business, freedom, trade freedom, fiscal freedom, government size, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption and labor freedom. Ratings in each category are averaged to produce the overall Index score.

The positive correlation between economic freedom and national income is confirmed by data of 2009. The freest countries enjoy per capita incomes over 10 times higher than those in countries ranked as 'repressed'. In 2009, for the first time, the Index also correlates economic freedom with important societal values like poverty reduction, human development, political freedom and environmental protection. The linkages are robust, with economically freer countries performing significantly better on every indicator of well-being.

ECONOMIC FREEDOM INDEX				
Country	World Rank	Freedom Score	Change from previous	**Converted Score**
Belgium	20	72,1	+0.5	**3**
France	64	63.3	-1.4	**2**
Germany	25	70.5	-0.1	**3**
Spain	29	70.1	+1.0	**3**
Turkey	75	61.6	+1.6	**2**
United Kingdom	10	79.0	-0.5	**3**

**Figure 5.6: Economic Freedom Index.
Source: Heritage Foundation, 2009**

Of the 179 economies that are numerically graded in the 2009 *Index*, only seven have very high freedom scores of 80 or more, putting them in the 'free' category (the highest).

The next 23 countries have scores between 70 and 80, placing them in the 'mostly free' category. Thus, a total of only 30 countries, or about one-sixth of all countries graded, have economic systems in which individuals enjoy substantial levels of freedom. The largest portion of the countries graded -119 economies- have freedom scores between 50 and 70. Of those, 53 economies are 'moderately free' (scores of 60–70), and 67 economies are 'mostly unfree' (scores of 50–60). This year, 29 countries have 'repressed economies' with scores below 50.

As figure 5.6 shows, none of the six target countries can be putted in the 'free' category, although the United Kingdom is coming close with a score of 79.00. Belgium, Germany, Spain and the United Kingdom are in the mostly free category, which shows that they have economic systems in which individuals enjoy substantial levels of freedom. Only France and Turkey are classified as 'moderately free'. Therefore these countries receive the lowest scores.

Explanation distribution scores:
Countries with a Freedom Score of 70 or more received 3 points. Countries with a score between 60 and 70 received 2 points. All other countries received 1 point.

Market receptivity

Market receptivity to imports is the extent to which the country is open to imports (Cavusgil et al., 2008). Trade openness expresses trade in terms of share of income for a given country. This variable is measured by the indicators: *per- capita imports* and *trade as percentage of GDP.* The higher the total of these two indicators, the higher the market receptivity is. Countries that are very open to imports provide better chances for Fernandes to succeed when exporting their soft drinks.

As figure 5.7 shows, has Belgium a higher percentage of trade and goods and services as a percentage of GDP compared to the other target countries. This means Belgium is very open to world trade. The total of imports of goods is highest in Germany, which imports

MARKET RECEPTIVITY					
Country	Trade in goods and services as a percentage of GDP - 2007	*Score*	Imports of goods (billion US dollars) - 2007	*score*	Total score	**Converted Score** (total score/2)
Belgium	87,3	*3*	413,4	*2*	5	**3**
France	27,5	*1*	611,1	*2*	3	**2**
Germany	43,4	*2*	1059,3	*3*	5	**3**
Spain	29,9	*1*	391,2	*1*	2	**1**
Turkey	24,5	*1*	170,1	*1*	2	**1**
United Kingdom	28	*1*	624,6	*2*	3	**2**

Figure 5.7: Market Receptivity Indicators.
Source: OECD Factbook 2009

almost double the amount of dollars than the other target countries. This offers good opportunities for Fernandes.

Explanation distribution scores:
  • Trade in goods and services:
A percentage up to 30% received a score of 1. A percentage between 30% and 60% receives a score of 2. A percentage of 60% or higher receives a score of 3.
  • Imports of goods:
A total import of goods up to 400 billion US dollars received a score of 1. A total between 400 and 800 billion dollars received a score of 2. A total of 800 billion dollars or higher received a score of 3.

Appendix 6: Elaboration Chapter 4; In-Depth Screening

Market size soft drinks industry

According to figure 6.1 the differences in market size between the three target countries are significant.
The largest soft drink market is Germany with a marginal volume decrease of 0.6% to 26.098,2 million liters in 2008 and a volume increase of 1.5% of carbonated soft drinks to 10.407,1 million liters. Germany received a score of 3 on both categories, because its soft drink market is the largest in size.
In the United Kingdom, the total soft drinks consumption decreased with 2.1% in 2007, due to a wet summer.
The market of Belgium compared to the United Kingdom and Germany, is the smallest in size and therefore this country gets a score of 1 on both categories.

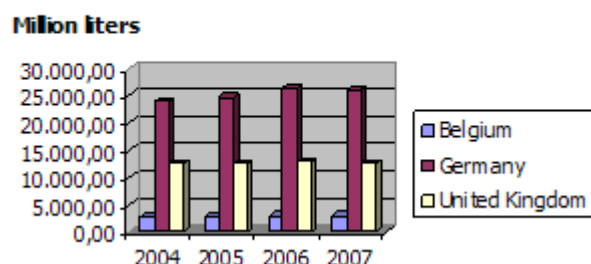| MARKET SIZE SOFT DRINKS (MILLION LITERS)					
Country	2004	2005	2006	2007	Score
Belgium	2.873,9	2.871,2	2.978,1	2.933,4	**1**
% change	-0.3	-0.1	+3.7	-1.5	
Germany	23.924,9	24.604,6	26.245,0	26.098,2	**3**
% change	-0.4	+2.8	+6.7	-0.6	
United Kingdom	12.535,2	12.627,5	12.929,9	12.665,4	**2**
% change	-1.6	+0.7	+2.4	-2.1	

Market Size Soft Drinks, 2004-2007

Figure 6.1 Market size soft drinks, 2004-2007. Source: UNESDA

According to the General Director of the British Soft Drinks Association (BSDA), J. Ardagh, the industry's ability to provide consumers with a wide range of enjoyable and affordable drinks is important.
Ardagh states that the industry's resilience is caused by the high standards which it applies to quality and safety, its competitiveness and its commitment to innovation. At a time when consumer demands are changing and significant price pressures are present, the challenge of the soft drinks industry is to provide a wide range of drinks to suit every taste, need and pocket.
Coca-Cola Enterprises Belgium (CCE-BE) leads the Belgian soft drinks market, accounting for around a third of off-trade soft drinks value sales in 2008. High brand recognition is an important factor behind the success of CCE-BE, and its worldwide presence and size give it the resources to offer products that the customer wants, such as 'light' cola carbonates in response to the increasing demand for healthier products. Despite the credit crunch, a rise in consumption of non alcoholic drinks is expected (foodinmind).
Also Euromonitor speaks of a positive outlook for the forecast period in Germany. On the one hand, German consumers are becoming more aware of the need for sufficient intake of liquids. On the other hand, most soft drink sectors will be able to benefit from the ongoing health and wellness trend. The main winners will continue to be those products that are perceived as healthy, including non-cola carbonates based on mineral water (Schorlen), flavored bottled water, functional bottled water and low-calorie products.
Despite poor weather conditions in the summer the last couple of years and the onset of the credit crunch, the BSDA also has a positive forecast for the United Kingdom. According to the BSDA, Important factors to increase market share are new product development and brand extensions focusing on greater segmentation, with producers developing a variety of brands and tastes to appeal to specific consumer groups.

Market size carbonates

The overall soft drink industry contains according to UNESDA the following sectors: bottled water, carbonates, dilutables and still and juice drinks. Fernandes can be called a *'carbonate'* (BSDA). As figure 6.2 shows, Germany scores highest on carbonates consumption. The main reason is that the totals of citizens of the countries vary significantly. Therefore in the next section, the carbonates consumption per capita will be measured.

MARKET SIZE CARBONATES (MILLION LITERS)					
Country	2004	2005	2006	2007	Score
Belgium	1.264,0	1.243,8	1.285,3	1.291,5	**1**
% change	+1.2	-1.6	+3.3	+0.5	
Germany	8.841,4	9.351,7	10.251,8	10.407,1	**3**
% change	-0.4	+5.8	+9.6	+1.5	
United Kingdom	6.666,3	6.565,2	6.489,9	6.471,9	**2**
% change	-2.6	-1.5	-1.1	-0.3	

Market Size Carbonates, 2004-2007
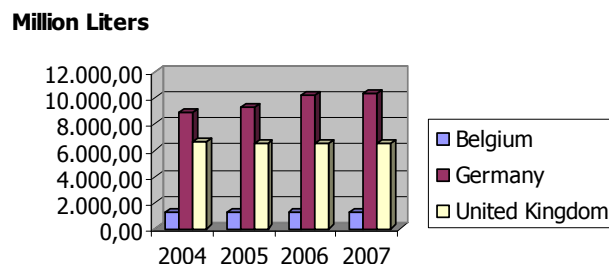
Million Liters

Figure 6.2: Market Size Carbonates (Million Liters). Source: UNESDA

Distribution scores:
Germany, with a growth of 1.5 % and total of 10.407,1 million liters is the largest market and therefore received a score of 3.
The United Kingdom, with a market size of 6.471,9 received a score of 2. Belgium, smallest in size, with a total of 1.291,5 million liters in 2007 received a score of 1.

Carbonates consumption

As figure 6.3 shows, the per capita consumption of the United Kingdom compared to Belgium and Germany is the lowest and has declined significantly in the last four years while the per capita consumption of Germany and Belgium increased.

In 2007, the trend towards a growing per capita consumption of soft drinks continued on a comparatively high level in German. More and more consumers are turning away from the stagnating and declining alcoholic drinks and hot drinks markets, towards soft drinks. Furthermore, with global warming contributing to higher average temperatures, the average fluid intake is increasing in Germany. The main beneficiaries of this trend are soft drinks products (Euromonitor).

CARBONATES CONSUMPTION (LITERS PER CAPITA)					
Country	2004	2005	2006	2007	Score
Belgium	121,6	119,4	123,2	123,6	**3**
% change		-1.8	+3.2	+0.3	
Germany	107,2	113,3	124,2	126,0	**3**
%change		+5.7	+9.6	+1.4	
United Kingdom	110,9	108,9	107,4	106,8	**2**
% change		-1.8	-1.4	-0.6	

Figure 6.3: Comparison Per Capita Consumption Carbonates. Source: UNESDA

To gain market share, during the credit crunch, new product development and brand extensions focused on greater segmentation, with producers developing a variety of brands and tastes to appeal to specific consumer groups. This can be of advantage to Fernandes, since it has unique tastes and offers a total new brand for the dynamic market of soft drinks.

Distribution scores:
Because Belgium and Germany have increasing per capita carbonates consumption and the total carbonate consumption is close, both countries received a score of 3.
The United Kingdom, with declining carbonate consumption, received a score of 2.

Unique customer requirements and preferences

People in every country have their own unique requirements and preferences. Differences can be seen in all kinds of sectors. This section will focus on differences in the distribution of the different soft drinks sectors. According to the figures of UNESDA, the soft drinks sectors are: carbonates, bottled water, dilutables and still & juice drinks. Also within the carbonates sector, there are different flavors. Because Fernandes is a fruit-flavored carbonate, it is important to see if there is a potential market in the target country for the different fruit-flavors of Fernandes.

Next to these factors, the health and wellness trend is making light soft drinks more and more popular. Therefore the light versus regular distribution is also taken into account in this section.

Distribution soft drink sectors

The country with the most sales potential is the country with the highest preference of carbonated soft drinks. As can be seen in figure 6.4, Carbonates are the largest sector of the total soft drinks industry in the United Kingdom. Carbonates reached a large market share despite a second period of poor weather conditions in the summer and the onset of recession. Producers opted for tried and trusted brands in their quest for value for money without sacrificing quality. With a percentage share of 51.1 carbonates outperform all other sectors. In Belgium and Germany, the bottled water sector is larger than the carbonates sector, while the percentages share of the bottled water sector in the United Kingdom relatively small. In the United Kingdom is the dilutables sector much larger than in Belgium and Germany. This shows that the taste preferences of the people in the United Kingdom differ significantly (see figures 6.5, 6.6 and 6.7).

PERCENTAGE CARBONATES OF TOTAL SOFT DRINK SECTORS 2007 (MILLION LITERS)						
Country	Total	Carbonates	Bottled Water	Dilutables	Still & Juice Drinks	Score
Belgium	2.933,40	1.291,50	1.348,00	59,8	234,1	**2**
% of total		44,0%	46,0%	2,0%	8,0%	
Germany	26.098,20	10.407,10	12.875,60	47,8	2.767,70	**1**
% of total		39,9%	49,3%	0,2%	10,6%	
United Kingdom	12.665,40	6.471,90	1.581,10	3.111,00	1.495,40	**3**
% of total		51,1%	12,5%	24,6%	11,8%	

Figure 6.4: Comparison percentage share of soft drink sectors. Source: UNESDA

Distribution scores:

More than half of the total soft drinks consumption in the United Kingdom are carbonated soft drinks. Because of this high percentage, the United Kingdom received a score of 3. Belgium, with a percentage of 44 received a score of 2 and Germany received a score of 1.
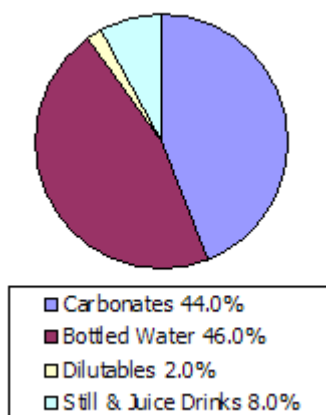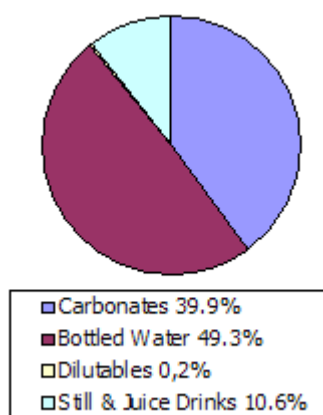

Figure 6.5: Distribution soft drinks sectors Belgium. Source: UNESDA

Figure 6.6: Distribution soft drinks sectors Germany. Source: UNESDA
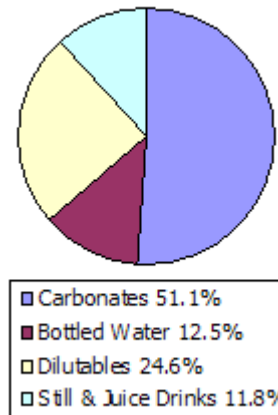
Figure 6.7: Distribution soft drinks sectors United Kingdom. Source: UNESDA

Carbonate flavors

Fernandes is a carbonated soft drink with different fruit flavors. Because these flavors operate in different segments than for example cola-flavored soft drinks, it is important to give an indication of the preference of consumers in the target countries.

As figure 6.8 shows, fruit flavored carbonates account, next to cola, for the second largest category in the German and Belgium market with a share of 40%. The distribution of flavors of carbonates in the United Kingdom is totally different, with a percentage share of cola of 52.7 and only a percentage share of 14.5 of fruit-flavored carbonates.

PERCENTAGE CARBONATES OF TOTAL SOFT DRINK SECTORS 2007 (MILLION LITERS)					
Country	Cola % share	Fruit-flavor % share	Mixers % share	Other % share	Score
Belgium	55.0	40.0	0.0	5.0	**3**
Germany	40.9	39.9	5.1	14.7	**3**
United Kingdom	52.7	14.5	3.6	29.2	**1**

Figure 6.8: Comparison percentage share of soft drink sectors. Source: UNESDA

Distribution scores:
Figure 6.9, 6.10 and 6.11 show the differences in distribution of the soft drinks flavors in the target countries. The countries with the larges percentage share of fruit-flavored carbonates, Belgium and Germany, received a score of 3. The United Kingdom, with a percentage share of fruit-flavored carbonates of 14.5 received a score of 1, because this share is significantly lower than the other target countries.
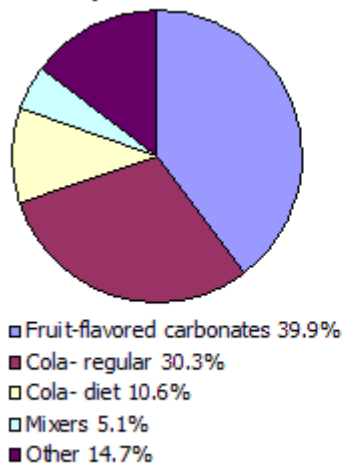

Germany Carbonates Flavors
- Fruit-flavored carbonates 39.9%
- Cola- regular 30.3%
- Cola- diet 10.6%
- Mixers 5.1%
- Other 14.7%

United Kingdom Carbonates Flavors
- Cola 52.7%
- Fruit-flavored carbonates 14.5%
- Lemonade 14.2%
- Energy 6.2%
- Mixers 3.6%
- Clear 1.9%
- Non-fruit, other 6.9%

Belgium Carbonates Flavors
- Cola 55.0%
- Fruit-flavored carbonates 40.0%
- Non-fruit, other 4.0%
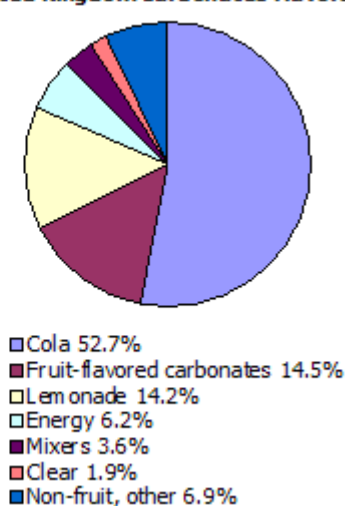- Clear 1.0%

Figure 6.9: Germany Carbonates Flavors Source: Datamonitor

Figure 6.10: United Kingdom Carbonates Flavors Source: Datamonitor
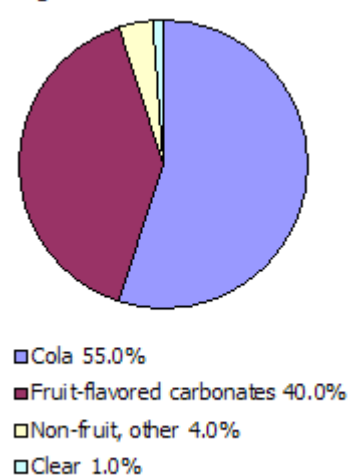
Figure 6.11: Belgium Carbonates Flavors Source: Statbel.fgov.be

Market trends: Health and wellbeing

Some commentators have suggested that the recession would work against health and sustainability. For the soft drinks industry, the commitment to help consumers to enjoy drinks as part of a balanced diet and active lifestyle and to reduce its carbon footprint are paramount if the industry is to retain its dynamism (J. Ardagh, BSDA).

Taking into account the role of mid calorie drinks blended with a mix of sugar and sweeteners or those drinks that can be positioned as regular yet be entirely sweetened by intense sweeteners rather than sugar, the 61:39 ratio changes more to a 75:25 split in favor of lower sugar (UK Soft drinks report, 2009).

Consumers are taking a more holistic view of health. It is no longer simply about sugar avoidance, consumers are also looking for products that are considered 'more natural' and provide functional benefits. Health and wellbeing were at the forefront of new trends in the soft drinks sector in 2008, with functional products ranging from sports and energy drinks, to enhanced waters with added benefits such as weight management and skin health distributed in mainstream outlets. With the trend of consumers looking for healthier, low calorie carbonates, Fernandes made a good decision adding the light version of Green Punch and Cherry Bouquet to their product range in 2008.

More niche functional drinks claiming to assist in the prevention of wider health issues will continue to grow, but not at any price. Marketing communications will need to be simple and unambiguous and products will

have to demonstrate proven health claims if they are not only to make it to market, but also encourage consumers to part with their cash.

With consumers seeking healthier, more natural options that provide value and benefits, and as manufacturers try to ride the economic storm through creating demand with innovation, functional drinks are likely to retain a key role in driving market development. Health and wellbeing products are in a strong position to survive the current economic malaise. Key to their continued development will be simple and unambiguous product communication and demonstrating the value of the proposition.

Distribution regular versus low calorie carbonates

People from Belgium and the United Kingdom are becoming more aware of health problems and therefore are increasingly looking to change their diets for the better. Carbonates and high-sugar juices have been singled out in the media as a cause of obesity, and health-oriented consumers are turning away from these drinks in favor of naturally healthy soft drinks. Manufacturers of fruit/vegetable juice, bottled water and RTD tea continue to expand the offer and distribution, and enjoyed volume sales growth in 2008, while volume sales of carbonates slowed (Datamonitor).

Despite the fact that the soft drinks market in Germany is expected to see growth the coming years and that the Germans are becoming more aware of the need for sufficient intake of liquids, the percentage of light soft drinks is much lower than in Belgium and the United Stated (see figures 6.12, 6.13 and 6.14). Despite this large difference, research center Datamonitor also expects growth in consumption of products that are perceived as healthy, including non-cola carbonated bases on mineral water (Schorlen), flavored bottled water, functional bottled water and low-calorie products.
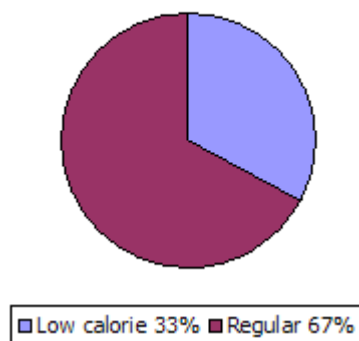

Figure 6.12: Belgium Carbonates regular vs. light Source: UNESDA

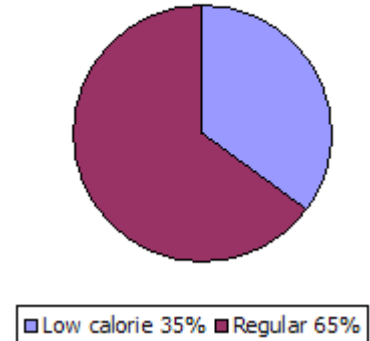**Figure 6.13: Germany Carbonates regular vs. light Source: UNESDA**

Figure 6.14: United Kingdom Carbonates regular vs. light Source: UNESDA

No score added

Because Fernandes already has regular and light soft drinks tastes in their product range, no scores will be given to this indicator. In sales it will not differ selling more regular than light products, but because the distribution of light and regular drinks varies, this indicator will be useful when producing the drinks. When exporting to the German market, less light drinks need to be produced than when entering the Belgium and English market.
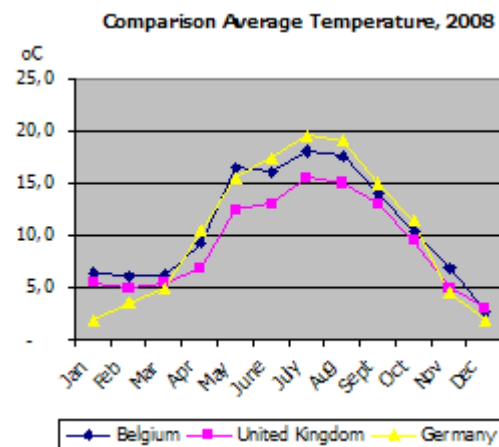
Industry- specific market potential indicators

In addition to generic determinant of demand, each industry sector has its own *industry- specific potential indicators* or *distinctive drivers of demand.* As has been concluded in the internal analysis, chapter 3, Fernandes is a specific product operating in a typical market. Therefore it is important to indicate the potential competitors in the target country and the number of competitive products. Countries where important competitors are who already have international experience and gained brand awareness with their consumers, the chance of succeeding export is smaller than exporting to countries with few competitors and competitive products.

Furthermore, climate related factors will be taken into account in this section, because the correlation between changes in soft drinks consumption and the weather is strong. Therefore a comparison of the average temperature per month, a comparison of total rainfall in millimeters per month and a comparison of the total sunshine hours per month will be made to give an indication of the sales potential of the countries.

Climate related factors

The link between hot weather and the success of the soft drink markets cannot be understated (BSDA). Yet to try and predict what the weather has in store is a perennial challenge for every marketer, retailer and farmer across each country. When the weather is bad, people are more tended to reach for warming comforting hot drinks rather than refreshing cold drinks. Therefore a comparison of the average temperature per month is shown in figure 6.15. Also the average rainfall in millimeters is an important indicator of good or bad weather. A comparison is shown in figure 6.16. The last climate related factors that has been measured is the total sunshine hours per month. This country comparison is shown in figure 6.17.

COMPARISON AVERAGE TEMPERATURE PER MONTH, 2008			
Month	Belgium*	United Kingdom**	Germany***
Jan	6,5	5,5	2,0
Feb	6,1	5,0	3,5
Mar	6,3	5,5	5,0
Apr	9,3	7,0	10,5
May	16,4	12,5	15,5
June	16,1	13,0	17,5
July	18,0	15,5	19,5
Aug	17,6	15,0	19,0
Sept	14,0	13,0	15,0
Oct	10,5	9,5	11,5
Nov	6,9	5,0	4,5
Dec	2,8	3,0	2,0
Total	130,5	109,5	125,5
Average per month (total/12)	10,9	9,1	10,5
Score	3	2	3

Figure 6.15: Comparison average temperature per month, 2008. Sources: *statbel.fgov.be, **Met Office, * cdl.niedersachsen.de**


Comparison Average Temperature, 2008

Distribution scores:

A country with a higher average temperature offers better prospects than a country with a lower average temperature. Therefore the United Kingdom, with the lowest average temperature, received a score of 2. Belgium and Germany receive a score of 3.

COMPARISON TOTAL RAINFALL MM. PER MONTH, 2008			
Month			
	Belgium*	United Kingdom**	Germany***
Jan	71	189	113
Feb	35	74	46
Mar	141	123	85
Apr	46	82	48
May	54	51	20
June	70	65	93
July	102	99	122
Aug	89	146	80
Sept	71	108	100
Oct	72	151	44
Nov	68	47	87
Dec	43	61	65
Total	862	1196	903
Average per month (total/12)	72	100	75
Score	3	2	3

Figure 6.16: Comparison total rainfall mm. per month, 2008. Sources: *statbel.fgov.be, **Met Office, * cdl.niedersachsen.de**


Comparison total rainfall mm. per month, 2008
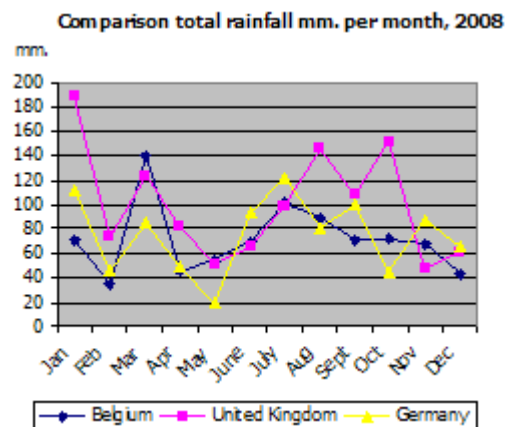
Distribution scores:
A country with a lower amount total rainfall offers better prospects than a country with a lower amount total rainfall. Therefore the United Kingdom, with the highest amount of rainfall, received a score of 2. Belgium and Germany received a score of 3.

COMPARISON TOTAL SUNSHINE HOURS PER MONTH, 2008			
Month			
	Belgium	United Kingdom	Germany
Jan	41	40	47
Feb	125	108	68
Mar	68	118	105
Apr	135	189	150
May	231	205	202
June	184	170	199
July	181	155	204
Aug	138	103	194
Sept	157	107	141
Oct	122	110	107
Nov	39	64	49
Dec	59	52	37
Total	1483	1421	1503
Average per month (total/12)	124	118	125
Score	3	2	3

Figure 6.17: Comparison total sunshine hours per month, 2008. Sources: *statbel.fgov.be, **Met Office, * cdl.niedersachsen.de**

Comparison total sunshine hours per month, 2008
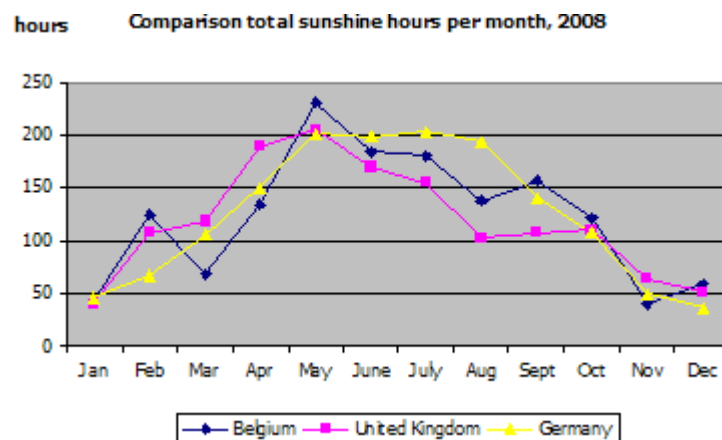
Distribution scores:
A country with a higher total of sunshine hours offers better prospects than a country with a lower total of sunshine hours. Therefore the United Kingdom, with the lowest average temperature, received a score of 2. Belgium and Germany receive a score of 3.

Vocabulary

Boost zones The 'Boost Zones' support the On the Go-channel on the best possible manner. In a boost zone a Sales Promotor can park his car to visit the clients by foot. The Sales Promotor has approximately 170 On the Go- selling points on walking distance in one boostzone. By visiting an average of 12 selling points per day, he realizes more repeated visits per customer. This also offers the opportunity to build a better relationship.

Bottled water Still, sparkling water and lightly carbonated water; natural mineral water, spring water, bottled drinking water; packaged water in size of 10 liters and below; water for coolers in sizes of 10.1 liters and above.

Carbonates Ready to drink including draught dispense; home dispense; regular including sparkling juice; low calorie and zero calorie; cola; lemon including lemonade; lemon-lime; mixers including tonic and bitter drinks; orange; shandy; others including carbonates fruit flavors, energy drinks sparkling flavored waters, health drinks and herbal drinks.

Dilutables Squashes, cordials, powders and other concentrates for dilution to taste by consumers, normally adding 4 parts water to 1 part product; high juice (minimum 40% fruit content as sold); regular including squashes and cordials (minimum 25%); low sugar including no added sugar and sugar free. Dilutables are expressed as ready to drink for ease of comparison where measuring overall soft drinks market figures/ shares.

Horeca Hotels, restaurant and catering outlets.

Light: Low calorie and no added sugar; utilizing an intense sweetener with no sugar added.

PET (bottle) Polyethylene terephythalate. PET bottles are barrier materials and are used for soft drinks.

Regular Added sugar drinks.

Summer Carnival: A yearly event in Rotterdam and Arnhem that tributes to the Carnival of South- and Latin-Amerika and Cape Verde.

Suri Profs: The 'Suriprofs' are professional soccer players who are born in Surinam of whose parents are born in Surinam. Once a year, the Suriprofs play a benefit soccer game at the end of their competition. Traditionally they play against the winning team of the Jupiler league. The money that will be raised at the competition will be donated to charities in Surinam (www.suriprofs.org).

Still & juice drinks: 100% fruit content equivalent, sometimes referred to as pure juice or 100% juice. High juice (25-99% fruit content); juice drinks (5-25% fruit content); other still drinks (0-5%) including iced tea, sports drinks, still flavored water and non-fruit drinks.