



# Sugal Group's Expansion into Chile

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## **Abstract**

**Title:** Sugal Group's Expansion into Chile

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**Keywords:** Processed Tomato; Internationalization Strategy; Horizontal Acquisition; Competitive Advantage; Production Risk Mitigation; Market Expansion

This dissertation explores the internationalization of Sugal Group into Chile, one of the world's leading tomato processing companies, with 95% of its production destined for export, exporting to more than 70 countries. Sugal Group achieved its expansion to Chile by acquiring two factories from Tresmontes Lucchetti Agroindustrial (TMLA), making a significant milestone in its internationalization.

The primary goal of the case study is to comprehend the motivations that drove Sugal's internationalization to Chile, to comprehend the reasoning behind choosing this country over others, to analyze the defined strategies to enter the country, to analyze how the integration of the acquisition was carried out over 14,000 km away, and to analyze the results obtained with the expansion. This analysis will show how Sugal Group has become the second largest producer of processed tomatoes in the world. The company has managed to create a unique competitive advantage over its competitors by exploiting and carrying out two tomato harvesting campaigns a year, thanks to its strategic presence in both the northern and southern hemispheres.

Artificial intelligence assisted in the development of some graphics and the rewording of the text, making it more direct and cohesive for clear and objective communication.

## **Resumo**

**Título:** A Expansão do Grupo Sugal para o Chile

**Autor:** Afonso Nigra

**Palavras-chave:** Tomate Processado; Estratégia de Internacionalização; Aquisição Horizontal; Vantagem Competitiva; Mitigação de riscos de produção; Expansão de mercado.

A presente dissertação aborda a internacionalização do Grupo Sugal para o Chile, sendo uma das principais empresas do mundo na transformação de tomate, com 95% da sua produção destinada a exportações, exportando para mais de 70 países. A expansão para o Chile foi concretizada pela aquisição de duas fábricas que pertenciam a empresa Tresmontes Lucchetti Agroindustrial (TMLA), representando um marco histórico na internacionalização do Grupo Sugal.

O principal objetivo do caso de estudo é compreender as motivações que impulsionaram a internacionalização da Sugal para o Chile, entender o racional da decisão deste país em detrimento de outras opções, analisar as estratégias definidas para entrar neste país, analisar como foi realizada a integração da aquisição a mais de 14.000km de distância, bem como os resultados obtidos com a expansão. Através desta análise, poderemos evidenciar como o Grupo Sugal se tornou o segundo maior produtor de tomate processado do mundo. A empresa conseguiu criar uma vantagem competitiva única face aos seus competidores ao explorar e realizar duas campanhas de colheita de tomate por ano, graças a sua presença estratégica nos hemisférios norte e sul.

Com o auxílio de inteligência artificial, foram desenvolvidos alguns gráficos e melhorias na redação do texto, tornando-o mais direto e coeso, para uma comunicação clara e objetiva.

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## **List of Abbreviations**

TMLA - Tresmontes Lucchetti Agroindustrial

OLI 3 Ownership, Location, and Internationalization Advantages

FDI 3 Foreign Direct Investment

PESTEL 3 Political, Economic, Social, Technology, Environment, and Legal

CAGE 3 Cultural, Administrative, Geographical, Economical

MNC 3 Multinational

RBV 3 Resource Based View

VRIO 3 Valuable, Rare, Inimitable, and Organized

SWOT 3 Strengths, Weakness, Opportunities, and Threats

M&A 3 Mergers and Acquisitions

HORECA 3 Hotels (HO), Restaurants (RE) and Cafeteria (CA)

UK 3 United Kingdom

USA 3 Unites States of America

M - Million

# 1. Introduction

## 1.1. Problem Statement

Internationalization strategies have become a key point for firms that want to grow and explore new markets. In the tomato processing industry, firms are highly dependent on its production, and a bad harvest can strongly jeopardize the business. Diversifying the tomato production is a way to mitigate production risk, but it is very challenging and demanding.

Sugal Group, one of the main players in the tomato processing industry, stood out by its internationalization strategy. An important milestone for Sugal was the Tresmontes Lucchetti Agroindustrial (TMLA) acquisition in Chile, allowing it to produce tomatoes in two hemispheres, having two harvests per year. This move allowed Sugal to be the unique player in the world to have two fresh tomato harvests. However, these expansion decisions brought many questions and challenges, including choosing the right country to enter, defining a solid strategy to enter the market, integration acquisition challenges, and much more. Taking this into consideration, the goal of the case study is to comprehend how Sugal managed to transform all these difficulties and turn them into a competitive advantage, becoming the world's second-largest producer of tomato derivatives.

## 1.2. Research Questions

The present case study is focused on answering the following questions:

- *What were the primary motivations for the expansion into Chile? How was the macro environment assessed?*
- *What was the internationalization strategy in terms of entry modes and international configuration strategy, and how can internationalization theories be applied?*
- *How does the CAGE framework apply to Sugal's expansion into Chile?*
- *What competitive advantages did Sugal obtain through Chile Expansion?*

### 1.3. Methodology

In order to obtain solid and consistent information, the case study was supported by qualitative research. There were conducted internal interviews with board members from Sugal Group to comprehend the key factors that influenced the decision to go to Chile and the strategy. Additionally, secondary data was collected, including internal reports, internal presentations, industry publications, and industry reports. Following this qualitative approach, the case study is organized into three main sections. The literature review is the first section, which focuses on exploring theoretical concepts and strategic frameworks. Secondly, the case study allows for a deep dive into the practice, comprehending the tomato processing industry and focusing on understanding the international expansion. The case study was developed to be used in an academic context, motivating students to apply theoretical strategic frameworks to the real business world.

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## 2. Literature Review

### 2.1. Internationalization

Understanding the idea and the driving forces behind internationalization is the first step towards addressing the subject. Internationalization is the process of extending a company's operations outside of its nation of origin to enable it to participate in foreign markets. The internationalization of a company is a strategy to identify and manage opportunities in international markets with the aim of creating competitive advantages over competitors. It can be achieved in a variety of ways, from simple operations with little risk to total commitment and involvement. (Clipa & Clipa, n.d.).

#### 2.1.1. Internationalization Drivers

The internationalization of a company is not an easy and spontaneous decision but is driven by a set of motivations and strategic factors. Before going abroad, it is very important to define the goal and the main motivations to find the perfect strategy. According to (George S. Yip, 1993), there exist four main drivers: market, cost, government, and competitive drivers that shape a firm's global strategy, determining the viability and benefits of international expansion.

Market drivers depend essentially on customer base and distribution channels. The homogeneous customer needs, global customers, and global channels are the main sub drivers that motivate international expansion, allowing standardized strategies. Cost levers aim to reduce costs across the supply chain, increase efficiencies, and create economies of scale. International expansion allows firms to take advantage of cost differences between countries, as well as product development costs. (George S. Yip, 1989). Governments hold significant power through their trade policies, they can either restrict or encourage the growth of firms. Factors such as direct government intervention in the form of subsidies, tax burdens, and regulatory restrictions can be obstacles or incentives to company expansion. Competitive leverage is another way of accelerating a company's internationalization through interdependence between countries and pressure from competitors to create global strategies. (George S. Yip, 1989). Firms can create competitive interdependence between countries by allocating different parts of the value chain to another country, thereby creating synergies. In addition, the international strategies defined by competitors create pressure to expand in order not to lose competitiveness.

### 2.1.2. Internationalization Theories

#### *Uppsala Model*

The Uppsala model claims that *"The internationalization of the firm is seen as a process in which the enterprise gradually increases its international involvement."* (Johanson & Vahlne, 1977, p. 23). The process begins with the closest markets that share cultural similarities and, over time and with experience, expand to more distant markets.

The model addresses the combination of state and change variables, enhancing the learning process and the capabilities development to achieve a successful expansion. Change variables are associated with the knowledge and learning process and are crucial elements of the model. The knowledge development process consists in the process of learning, creating, and trust building. (Vahlne & Johanson, 2017). As more knowledge is acquired, the more experience the firm has, mitigating uncertainty. State variables refer to the capabilities and commitment that are composed of skills and resources the company must have to compete in external markets. (Vahlne & Johanson, 2017). The combination of operational and dynamic capabilities makes the essence, as they cannot be bought but developed internally. Having solid capabilities makes it possible to increase commitment, and, consequently, it leads to better performance as the company becomes more integrated and familiar with the market.

#### *Eclectic Paradigm*

John Dunning developed the Eclectic paradigm, also known as the OLI model, with the aim of elucidating the reasons behind companies' internationalization decisions, as well as the factors that shape their operations in foreign markets. The theory considers that the magnitude, configuration, and quality of international production are shaped by the interaction of three interconnected variables: specific ownership advantages (O), location advantages (L), and internalization advantages (I). (Dunning, 1988).

Having ownership advantages (O) is crucial to differentiating and obtaining competitive advantages in international markets. Technology, brand reputation, and know-how are solid examples of ownership advantages. (Dunning, 2000). By developing this competitive intelligence, the firm can focus on identifying external markets that offer competitive

advantages. Location advantages (L) refers to the specific advantages of a country that make it attractive to set up in, including natural resources, favorable policies, labor force and proximity to target markets. Internationalization advantages (I) help evaluate alternative ways of internalizing through equity or non-equity modes. (Dunning, 2000). According to Dunning (1988), a company should consider doing foreign direct investment (FDI) if it possesses the three advantages.

### *Network Theory*

This theory, primarily developed by Jan Johansson and Lars-Gunnar Mattson in 1980, focuses on the role of relationships and networks in the internationalization process. *"The internationalization process of the firm is viewed as a process of developing networks of relationships in foreign markets, through which firms gain access to resources and opportunities."* (Jon Johanson & Lars-Gunnar Mattsson, 1988).

The theory emphasizes that networks truly help the firms to obtain key insights such as market information, knowledge, resources, and opportunities, facilitating the entry mode by reducing risks. These networks include suppliers, customers, partners, and institutions that help the company gain access to international resources and markets. By connecting with foreign networks, companies obtain local resources and information that facilitate their entry and operation in new markets. The main advantages include access to local resources, risk reduction, and acceleration of the expansion process. However, success depends on the effective management of these networks and the building of mutual trust between the participants.

## 2.2. International Strategic Frameworks

Internationalization is a complex process that requires planning and analysis. One of the key points is to choose the right strategic frameworks to study and assess the potential of each country that the firm wants to expand to. In this chapter, two frameworks for identifying and analyzing a target country will be considered: PESTEL and CAGE.

### 2.2.1. PESTEL

PESTEL analysis is fundamental to assess the macro-environment factors that could impact the business: politics, economics, social, technology, environment, and legal (figure1). *"The fundamental problem of management is to be able to scan the environment in which the firm operates and to respond to changes in that environment."* (Francis J. Aguilar, 1967, p.10). When performing this analysis, the firm can better identify opportunities and risks in the specific country. Understanding the impact of these factors on the specific industry in which the firm operates is essential.

These factors do not act isolated, the dynamism and interconnection between them significantly influence the competitive position of a company. Changes in the governmental policies, such as tax burdens and regulations, affect the economic conditions of a country, impacting the market conditions. Simultaneously, social tendencies, as well as the global pressure for sustainability, can shape consumers preferences as well as the regulatory environment. Technology infrastructures can lead to innovation opportunities, but at the same time they create challenges for firms that cannot adapt. These are just a few examples that show the complex dynamism around these dimensions. (Babatunde & Adebisi, n.d.)

The analysis allows companies to study the external environment that is interconnected, having in mind that it is always changing. By monitoring these variables, firms better adjust and create strategies that answer current and future challenges by anticipating potential sparks. Thus, PESTEL analysis becomes a crucial framework to define solid strategies and develop a strong competitive position in the market. The table shows a set of aspects that can be used as a guideline to assess the factors of each dimension. When doing a real analysis, other factors should be considered.

Figure 1 - Important variables in the PESTEL analysis

Political	Economic	Social	Technology	Environment	Legal
<ul style="list-style-type: none"> <li>• Government stability</li> <li>• Political systems</li> <li>• Regulatory changes</li> <li>• Tax policies</li> <li>• Bureaucracies</li> <li>• Trade tariffs</li> </ul>	<ul style="list-style-type: none"> <li>• Growth rates</li> <li>• Inflation</li> <li>• Interest rates</li> <li>• Employment levels</li> <li>• Economic stability</li> </ul>	<ul style="list-style-type: none"> <li>• Demographics</li> <li>• Cultural norms</li> <li>• Values</li> <li>• Lifestyle</li> <li>• Education</li> <li>• Consume levels</li> <li>• Adaptability</li> </ul>	<ul style="list-style-type: none"> <li>• Rate of technological change</li> <li>• Digital infrastructures</li> <li>• Adoption of new technologies</li> <li>• R&amp;D</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Resource scarcity</li> <li>• Sustainability practises</li> <li>• Pollution</li> <li>• Environmental regulation</li> <li>• Waste management</li> </ul>	<ul style="list-style-type: none"> <li>• Employment laws</li> <li>• Consumer protection laws</li> <li>• Industry specific rules</li> <li>• Intellectual property rights</li> <li>• Legal disputes</li> </ul>

Source: Adapted from Wheelen, T.L. & Hunder, J. D. 2010. *Strategic Management and Business Policy*, p.149

### 2.2.2. CAGE Model

The CAGE model was developed by Pankaj Ghemawat and allows to identify distances between home and international markets over four dimensions. *"The CAGE framework identifies cultural, administrative, geographic, and economic differences or distances between countries that companies should address when crafting international strategies."* (Pankaj Ghemawat, 2007, p.41).

The model considers that cultural, administrative, geographical, and economic distances create difficulties and challenges in the internationalization process (figure2). Most people assume that the biggest challenge is geographical distance, but all of them have massive impacts. Cultural distance is related to the religious beliefs, race and social norms that create huge impact on trade. Administrative and political distance is associated with the historical and political associations shared by countries, which can be an empowering or limiting factor. The farther the countries are the harder it will be to conduct business. To complement, economic distances are associated with wealth differences, resource cost disparities and consumers income as they are part of the most important economic attributes that creates distance between countries. (Pankaj Ghemawat, 2004).

The model suggests that the bigger the distance between dimensions, the more difficult it is to enter and operate in a new market. Big cultural distances between countries require significant internal adaptations; otherwise, it will negatively impact a firm's operations. Understanding the interconnections between the four dimensions is critical to reducing risk and developing an effective strategy to enter the new market.

Figure 2 - CAGE Model

	Cultural Distance	Administrative Distance	Geographic Distance	Economic Distance
attributes creating distance	different languages	absence of colonial ties	physical remoteness	differences in consumer incomes
	different ethnicities; lack of connective ethnic or social networks	absence of shared monetary or political association	lack of a common border	differences in costs and quality of:
	different religions	political hostility	lack of sea or river access	• natural resources
	different social norms	government policies	size of country	• financial resources
		institutional weakness	weak transportation or communication links	• human resources
			differences in climates	• infrastructure
				• intermediate inputs
				• information or knowledge
industries or products affected by distance	products have high linguistic content (TV)	government involvement is high in industries that are:	products have a low value-to-weight or bulk ratio (cement)	nature of demand varies with income level (cars)
	products affect cultural or national identity of consumers (foods)	• producers of staple goods (electricity)	products are fragile or perishable (glass, fruit)	economies of standardization or scale are important (mobile phones)
	product features vary in terms of:	• producers of other "entitlements" (drugs)	communications and connectivity are important (financial services)	labor and other factor cost differences are salient (garments)
	• size (cars)	• large employers (farming)	local supervision and operational requirements are high (many services)	distribution or business systems are different (insurance)
	• standards (electrical appliances)	• large suppliers to government (mass transportation)		companies need to be responsive and agile (home appliances)
• packaging	• national champions (aerospace)			
products carry country-specific quality associations (wines)	• vital to national security (telecommunications)			
	• exploiters of natural resources (oil, mining)			
	• subject to high sunk costs (infrastructure)			

Source: Ghemawat (2001). *Distance still matters: the hard reality of global expansion*. Harvard business Review p.140

## 2.3. International Expansion Models

The international expansion is one of the most challenging processes faced by companies. To reach foreign markets, firms need to consider the entry modes as well as the strategy configuration to balance the relation between global efficiency and local adaptation. Having this in mind is crucial to do an effective approach, maximizing firm's potential.

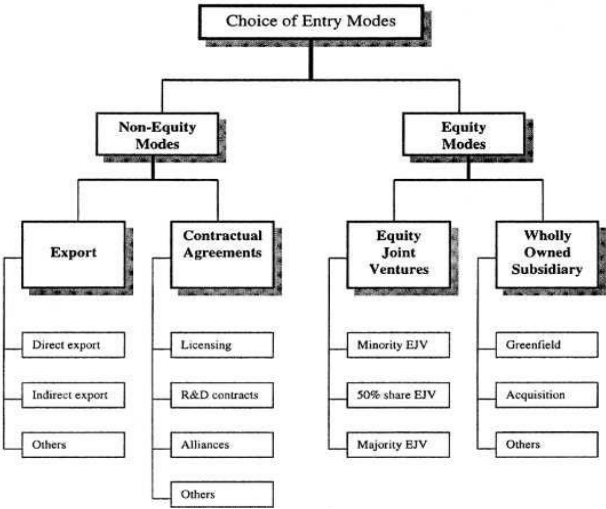
### 2.3.1. Entry Modes

International expansion is a fundamental strategy for firms that desire to grow and diversify their markets. When entering in new markets, the entry mode is a critical decision that can determine success or failure. As Johny K. Johansson (1997) argues, the choice of entry mode is one of the most critical decisions a firm face when entering foreign markets, influencing both the risk and potential success of international expansion. The hierarchical model of entry modes (figure3), developed by Pan & Tse (2000), refers to the entry modes that are classified into two classifications: equity-based and non-equity-based. The distinction is based on the levels of resource commitment, control, and risk associated with each type.

When going abroad with non-equity-based, there is no need to make large investments, which brings several advantages, such as lower risk, low initial costs, flexibility, and quick access to the market. Although risks are minimized, they still exist, such as difficulties in controlling operations, logistical challenges, high dependence on partners, and risks of no payments. Exporting is the least risky way, but the risk increases as firms become more involved. The benefits of exporting include increased sales, potential economies of scale, and market diversification. (Pan & Tse, 2000)

When a company decides to enter a country equity-based, it is taking a big step since it is increasing its financial commitment by having a physical presence in the market with associated risks. It has several advantages, such as greater control over operations, the possibility of adapting to the local market, access to local resources, and less dependence on third parties. Joint ventures are the mode of entry with the least risk, which gradually increases as the company seeks to become even more involved, such as the acquisition or creation of a subsidiary. (Pan & Tse, 2000). The main risks associated with a subsidiary are related to the high investment required and the cultural, administrative, geographical, and economic differences that create integration problems, as well as the company becomes exposed to country risks. However, it allows to take advantage of keeping all the profits and obtain more control over the operations. With a local presence, it gains access to local resources such as suppliers, distribution channels and labor, and access to new markets. With proper integration, the company can leverage competitive advantages over its competitors.

Figure 3 - Hierarchical Model of choice of entry modes



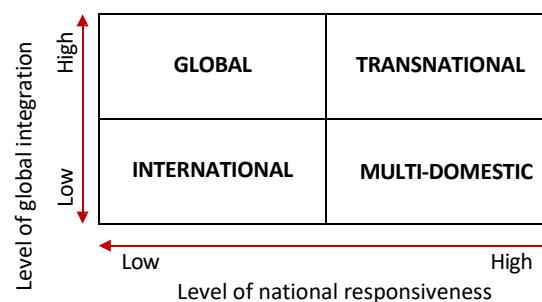
Source: Pan & Tse D. (2000)

### 2.3.2. International Strategy Configuration

A firm that has operations in more than one country is considered a multinational corporation (MNC). When internationalizing, multinationals must define an international strategy; however, the primary challenge lies in developing a configuration strategy that balances global efficiency and local responsiveness. (Bartlett and Ghoshal, 1989). The model highlights the importance of strategy choice that is influenced by the pressures for local responsiveness and global integration, which are also influenced by the specific conditions in the market and competitive environment that firms operate in.

According to the model multinational corporations can choose from four international strategies: global, international, transnational, and multi-domestic (figure 4). (Bartlett et al., 1990). These strategies heavily depended on two variables: emphasizing low cost and efficiency or responding to the local needs and preferences. Firms that concentrate on a global approach, prioritizing standardized products in all markets, and focusing on achieving economies of scale by minimizing costs are considered to have a global strategy. When a company privileges the local adaptation by adopting its operations and products to the consumer's needs with less focus on efficiencies, it is developing a multi-domestic strategy. A transnational strategy balances global integration and local responsiveness, combining cost minimization as well as local adaptation. Companies that neither focus on costs nor adapt to local preferences are considered to have an international strategy as they sell products and services with just minor local adaptations.

*Figure 4 - International Strategy Configuration Model*



*Source: Adapted to PORTER, M. 2004. Competition in global industries: a conceptual framework. In: BARTLETT, C. A., GHOSHAL, S. & BIRKENSHAW, J. (eds.) Transnational Management. New York, NY: Irwin, p. 321, e de CARPENTER, M. A. & SANDERS, W. G. 2009. Strategic Management - A Dynamic Perspective, Upper Saddle River, Pearson Education Inc, p. 307.*

## 2.4. Value Chain

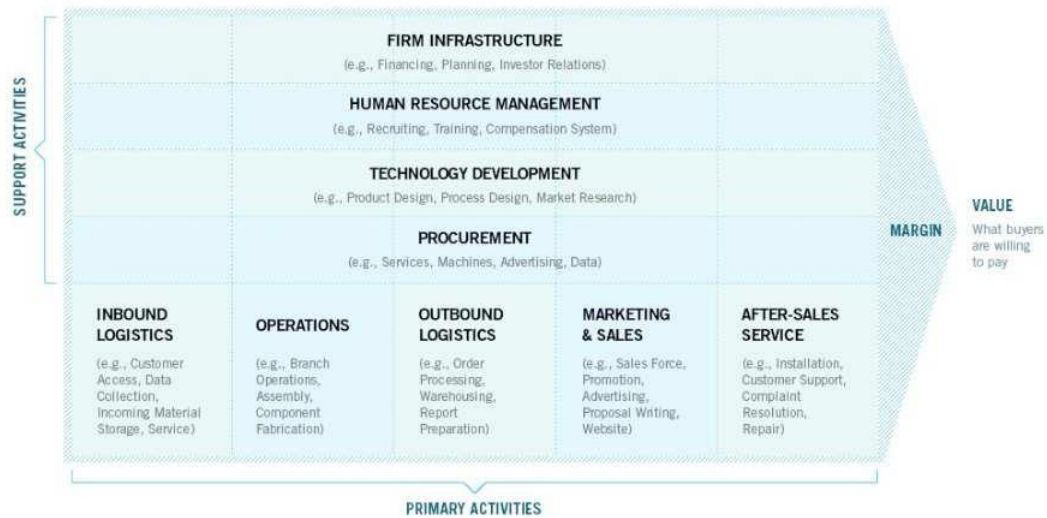
### 2.4.1. Porter's Value chain

Value chain is a strategic concept introduced by Michael Porter (1985) in his book *Competitive Advantage: Creating and Sustaining Superior Performance*. According to Michael E. Porter, (1985), the value chain divides the company into strategically relevant activities to understand costs and identify sources of differentiation. In this way, the company can gain a competitive advantage by carrying out these strategic activities more efficiently or better than its competitors.

Porter's Value Chain (figure 5) consists in assessing a firm's activities and how each one contributes to the creation of value. By examining the value chain, it is possible to identify the activities in which the firm is involved, analyze where it generates the most value, and it is possible to reduce costs. The activities are divided into two categories: primary and support activities. The margin concept indicates that a firm can offer the product or service for which customers are willing to pay more than the sum of the costs of all activities in the value chain. (Michael E. Porter, 1985).

Analyzing the value chain and its interactions is crucial to identifying sources of competitive advantages. It helps to optimize processes and costs, differentiate its product, and drive continuous improvement. The firm must effectively link all activities to create competitive advantages and deliver superior value. A company's value chain is typically part of a larger value system that includes companies either upstream (suppliers) or downstream (distribution channels), adding incremental value to the final product or service.

Figure 5 - Porter's Value Chain



Source: Harvard Business School Online 2020

#### 2.4.2. Vertical Integration

In an increasingly competitive and dynamic markets, firms face several challenges in achieving efficiency and strengthening their position. Vertical integration (figure 6) is a business strategy where a firm takes over control of multiple stages of the supply chain, allowing to increase efficiencies, reduce costs, and obtain greater control over production and distribution. (M. Porter, 1985).

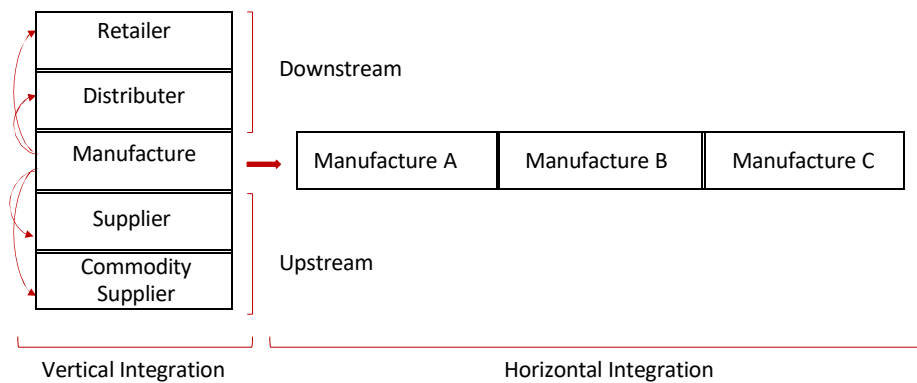
The overall idea is to obtain more control over the supply chain, and it can be categorized into upstream or downstream integration. Upstream refers to when a firm seeks to integrate activities that are at the beginning of the supply chain (acquisition of raw materials for example), and downstream refers to a firm's expansion toward the front by incorporating subsequent stages of the production process (marketing, sales, and distribution). By integrating vertically, the organization aims to obtain more control over the supply chain, reduce costs by eliminating direct or indirect intermediaries, and improve product quality and efficiency. However, high implementation costs and increased operational complexity present significant challenges and risks.

### 2.4.3. Horizontal Integration

Alternatively to vertical integrations, firms can also grow by acquiring or merging with other companies (figure 6). Horizontal integration refers to the combination of two or more companies operating at the same stage in the supply chain, within the same industry, and at the same level in the value chain with the aim of increasing market share, reducing competition, and achieving economies of scale. (Michael E. Porter, 1980). A company can horizontally integrate in three ways: merging with another company, acquiring another company or by expanding internally (in the case of when a firm expand their own presence at the same level of the value chain).

It's a powerful business strategy to grow the business and consolidate the market position. The most significant benefits associated with horizontal integration are: reduce competition, increase market share, expand customer base, revenue growth, economies of scale, and access to new markets. Challenges are associated and the firm must define a solid strategy because there are several operation integration challenges, culture clashes, less flexibility, and legal/regulatory issues.

*Figure 6 - Vertical and Horizontal Integration*



*Source: Author*

## 2.5. Competitive Advantages

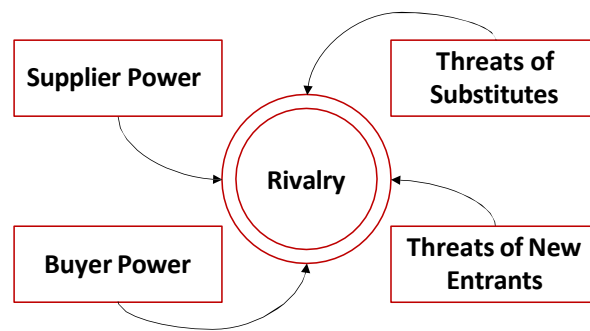
### 2.5.1. Porter Five Forces

Michael Porter developed Porter's Five Forces (1980), making it one of the most widely regarded business strategy frameworks. The primary goal is to analyze the competitiveness of an industry through its forces, as Porter set out five forces. The model is very centralized in determining the intensity of competition and the profitability of the industry. According to Porter (2000), the essence of strategy is coping with competition. With this idea, Porter wants to convey that strategic success relies on how well a company navigates the competitive landscape. It's not just about being operationally efficient but about making strategic choices that provide a sustainable advantage over competitors.

There are five forces that directly impact competitiveness and profitability: rivalry, supplier power, buyer power, threat of substitutes, and threat of new entrants (figure 7). Supplier power refers to the ability of suppliers to influence prices, quality, and raw material availability. Buyer power relates to the capacity to pressure suppliers for lower prices, affecting profitability margins. This happens when a supplier is seriously dependent on a couple of clients. The threat of new entrants depends on existing market barriers (customer loyalty, capital requirements, and regulations). High barriers create obstacles for potential competitors. The threat of substitutes refers to the potential for customers to switch to alternative products, placing pressure on prices and innovation, affecting profitability. (Michael E. Porter., 2000).

At the core is rivalry, which is directly affected by the four forces. Less competition allows firms to maintain prices and profits. When these forces are strong, they intensify, leading to increased competition and reduced profitability, particularly in markets with similar sizes, slowing industry growth. The logic of the model is that firms can focus on decreasing competitive forces, reducing rivalry, and, consequently, raising profits.

Figure 7 - Porter Five Forces



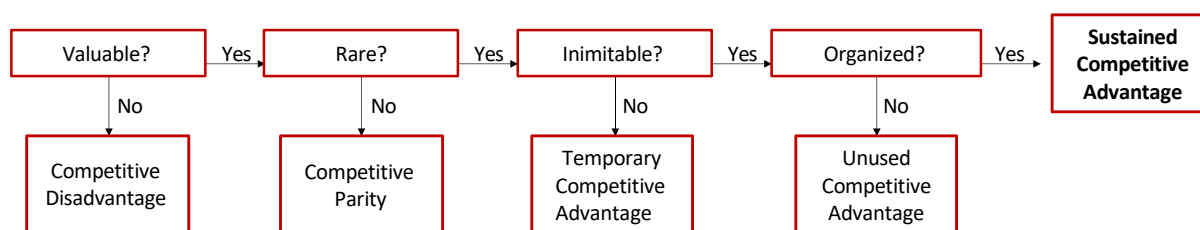
Source: Adapted from Porter, M. 2008. *The five forces that shape strategy*. Harvard Business Review, January

### 2.5.2. RBV & VRIO Model

Resource-Based View Framework (RBV) was first articulated by Berger Wernerfelt (1984) and Barney (1986, 1991). While many strategic theories focus on the external environment or the industry, RBV is a strategic approach that focuses on the company's internal resources and capabilities as the main source of competitive advantage. The internal resources can be tangible, and intangible (assets, capabilities, competences, process, knowledge and attributes). RBV model suggests that firms can achieve competitive advantages if their resources and competences are valuable, rare, inimitable, and organized (figure 8). Competences that comply with these dimensions are sustained competitive advantages. (Barney, 1991). The advantage is sustained if the competition is not able to replicate the resource. More than possessing the resources, firms must have dynamic capabilities, meaning that they are capable of adapting to the competitive environment changes.

Valuable means that competence adds value to the business and is perceived by clients. Competences are considered rare if they are held by few or no other competitors. The term inimitable refers to whether the resource is difficult or not to imitate. (Barney, 1991). To complement, the firm must have all these resources aligned and interconnected once the goal is to maximize the effectiveness of its resources. The logic of the VRIO model is that an internal resource can be a sustainable competitive advantage if it meets with the four dimensions. These competences represent the strengths that contribute to sustainable competitive advantage, and the firm must leverage them by matching with the opportunities identified (SWOT). By developing and strengthening core competences, the firm creates added value perceived by clients, thereby creating switching costs.

Figure 8 - Obtain Competitive Advantage



Source: Adapted from Grant, R., Butler, B., Orr, S., & Murray, P. (2014). Contemporary strategic management (pp. 1743177).

## 2.6. Mergers & Acquisitions

A merger occurs when two companies combine to form a single entity, typically by exchanging their existing shares for shares in the new combined entity. On the other hand, an acquisition occurs when a company acquires the target firm and usually does not create a new entity. There are three types of M&A transactions: horizontal, vertical, or conglomerate. Horizontal M&A occurs when a firm acquires another company in the same sector or supply chain level, aiming to increase market share or achieve economies of scale. Vertical M&A involves a company acquiring another that operates in a different stage of the supply chain, as suppliers (upstream) or distributors (downstream), to enhance efficiency and reduce costs, gaining more control over the value chain. In a conglomerate transaction, companies from unrelated industries combine, aiming to diversify revenue sources or mitigate business risks. (DePamphilis, 2011).

It is critical to identify the main motivations for M&A, which include operating synergies (economies of scale and scope), financial synergies, diversification, strategic realignment, tax considerations, market power and others. (DePamphilis, 2011). Success depends on the ability to efficiently integrate both firms, leveraging synergies and aligning the merger or acquisition with strategic goals. M&A transactions carry several risks due to the large investments required, integration risks, and incorrect valuations. Effective risk identification is crucial to mitigating potential risks. The M&A process starts with the definition of strategic goals, followed by target screening and transaction execution. Additionally, it is crucial to analyze market trends and the industry landscape. The next stage involves evaluating assets, liabilities, financial performance, risks, and opportunities through due diligence in order to define prices and deal terms. The integration plan is the last step and one of the most important ones, essential to facing integration challenges as cultural challenges, being one of the most common failures.

### 3. Case Study

The case study approaches the Sugal Group's international expansion to Chile. In 2010, Sugal acquired Tresmontes Lucchetti Agroindustrial (TMLA), turning out to be the most important milestone achieved by the group in terms of international strategy. The study delves into the motivations behind Sugal's international expansion, the strategy's definition, horizontal integration, and the resulting outcomes. In addition, it includes a market analysis of the processed tomato industry.

#### 3.1. Background on Sugal Group

Sugal Group, a leading family company in the food sector, specializes in the production and commercialization of processed tomato products. Founded 67 years ago in Azambuja, Portugal, Sugal stands as one of the world's largest tomato processors, ranked second globally in the tomato processing industry with a daily production capacity of 28.400 tons, producing more than 1.500.000 tons/year (Appendix A). In 2023, the total annual turnover was 500M eur.

Sugal Group is firm with global presence, exporting 95% of its production to more than seventy countries around the world (Appendix B). Its presence on a global scale stems from its production, which is present in 3 countries with 5 factories. It all started in 1957 with the opening of Sugal's first factory in Azambuja, Portugal. Growing year by year, Sugal decided to increase their production by acquiring its second factory, located in Benavente, in 2007. The acquisition showed ambition to reinforce its national presence, which is why Sugal bought Heinz factory (Heinz Portugal 3 Idal), one of their main competitors, creating Sugalidal. Three years later, Sugal's ambition for growth grew even further, aiming to establish itself in international markets. In 2010, Sugal acquired its third factory in Sevilla, Spain. It was regarded as an important milestone as it marked Sugal's first foreign direct investment.

Sugal felt the desire to grow more, but like in every agrobusiness, the ability to conduct only one harvest annually presented risks. The limitation wasn't enough to stop Sugal from expanding more; in 2012, Sugal made a significant leap in its international strategy by acquiring the fourth and fifth factories in Chile (Tilcoco and Talca). It was a complete game changer, becoming the unique tomato processor worldwide to have two harvests per year: in Iberia, north

hemisphere, and in Chile, south hemisphere. More recently, in 2014, Sugal went through a rebranding process, adopting Sugal Group as their new name. In 2017, Sugal Group achieved another important milestone by doubling the capacity of the Tlicoco factory, demonstrating its ambition to continue developing its growth strategy.

The Sugal business model is product-focused, having three main businesses: industrial, retail, and food service, having Heinz, Dr. Oetker and Unilever as some clients. (Appendix C, D and E). In the industrial business, the tomato is processed and packed into industrial sizes to serve the industrial clients. In the retail business, the tomato is packaged in formats suitable for immediate consumption by final consumers. The goal of the food service business is to develop packages with the ideal size for the HORECA segment, hotels (HO), restaurants (RE), and cafeterias (CA).

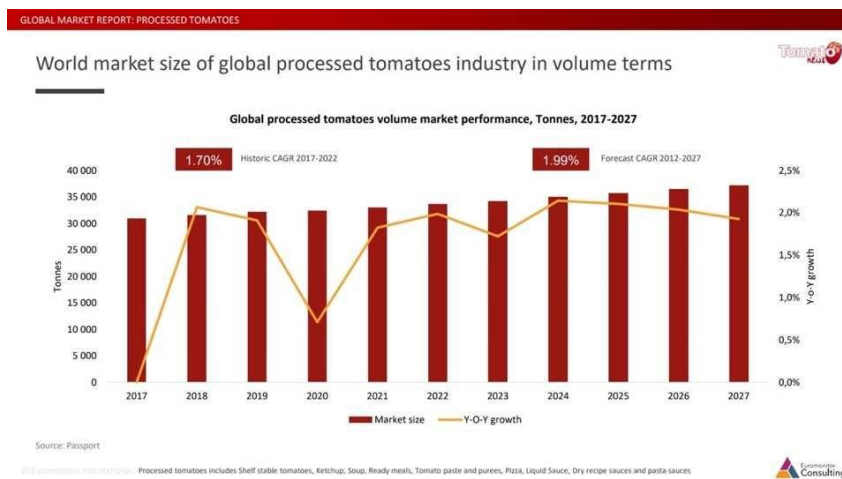
### 3.2. Tomato Industry Report

#### *Demand side*

According to figure 9, the global market size of processed tomatoes between 2017 and 2027 shows annual growth of 1.7% and a projected rate of 1.95% from 2023 to 2027. The market size is stable between 30 and 35 million tons over these years, reaching almost 35 million tons in 2023. In monetary terms, in the worldwide processed tomato industry market has grown in value terms from EUR 140 billion in 2017 to almost EUR 157 billion in 2023 and could reach just over EUR 169 billion by 2027 (Appendix F).

When analyzing the processed tomato market, it is important to identify the variables that are driving the industry's growth. The first factor pertains to the growing demand for healthy and convenient food, driven by changes in consumer behavior, with consumers looking for healthy, quick, and easy-to-prepare meals. The globalization of the food supply chain is another important growth driver for reaching new markets, diversifying suppliers, and achieving cost efficiencies. Consumer needs are increasingly global, meaning that consumption patterns are becoming standardized.

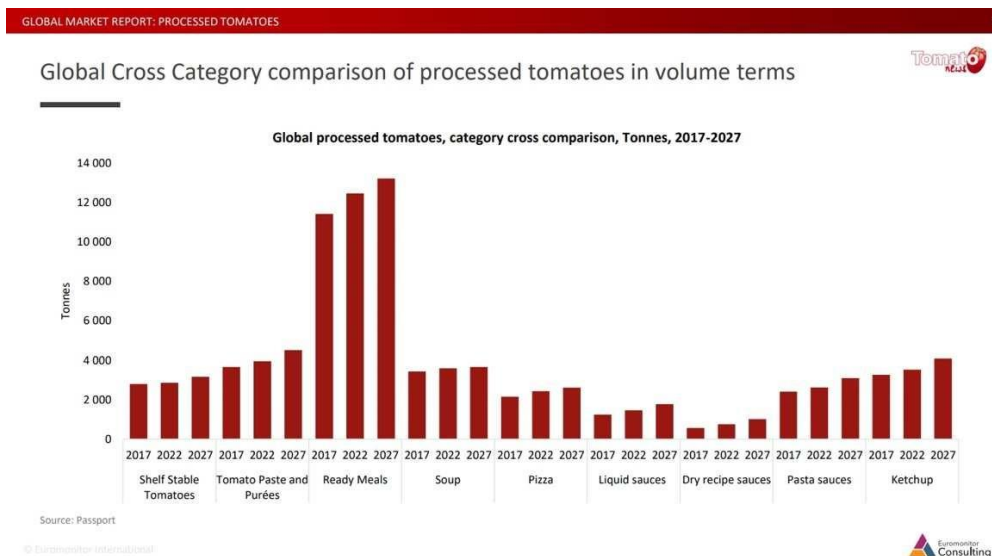
Figure 9 - World Market Size of Global processed tomatoes industry (volume)



Source: Passport Euromonitor International. Tomato News (2023)

According to figure 10, ready meals (shelf-stable, dried, chilled, and frozen ready meals with a high degree of readiness and convenience, in most instances ready-to-heat or ready-to-eat, requiring few or no extra ingredients) are the leading product by far. In monetary terms, the most attractive market is ready meals, which reached just over 80.000 million euros in 2022. The market for soups and pizza then saw a slight increase, both reaching around 15.000 and 19.000 million euros in 2022 correspondingly. (Appendix G).

Figure 10 - Global cross category comparison of processed tomatoes



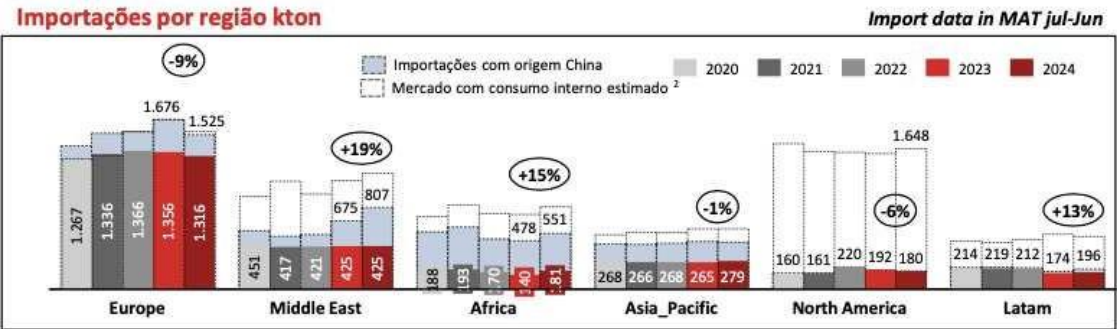
Source: Passport Euromonitor International. Tomato News (2023).

Looking at the global market, it's important to understand which countries are looking for the most processed tomato products. According to figure 11 and 12, is possible to analyze the biggest importers and exporters according to two categories: paste&pulp and cubes&peeled.

*Imports & Exports 3 Paste and Pulp*

Europe holds a solid lead in imports, with 1.676 kton in 2023 (figure 11), with Germany, United Kingdom, and Italy standing out as the biggest importers in Europe. North America is also a solid market, but 90% of it is for domestic consumption. Iraq is the largest global importer with 354 kton. Emphasis for Saudi Arabia and Austria for showing significant growth. It's interesting to look at Italy because, despite being the largest producer in Europe, it imports a lot due to high local prices. China leads exports with a volume of 1.177 kton, followed by Italy and the USA. In terms of growth, the highlight goes to Iran and Chile with 22% and 17%, respectively, while Portugal and Spain showed a drop. China's justification is related to the price factor, which is gaining relevance in the global market. (Appendix H and I).

Figure 11 3 Tomato Paste and Pulp Imports by region (kton)



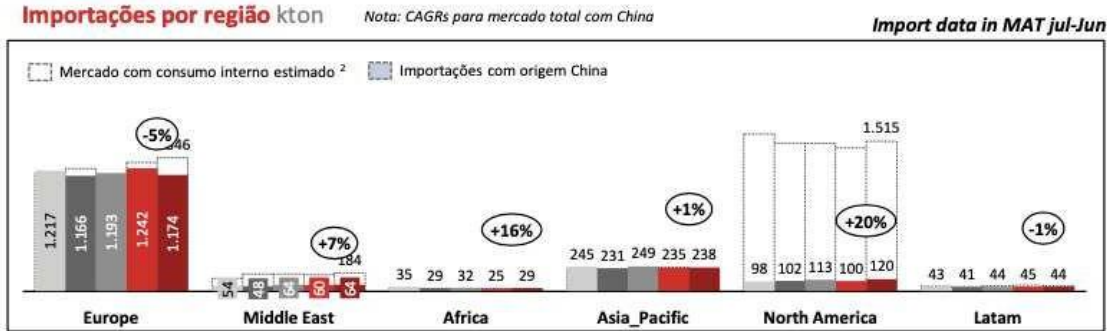
Source: Sugat Market Intelligence Report

*Imports & Exports 3 Cubes and Peeled*

This expressive markets are in Europe and North America (figure 12). Middle East, Africa, Asia-Pacific, and Latam aren't expressive. Europe continues to lead imports with 1.242 kton in 2023, with the UK, Germany, and France standing out. Important to highlight the Austrian market, which continues to show strong growth (+69%). Italy is by far the largest exporter in the cubes&peeled category, with 1.209 kton, followed by Spain and the USA with 107 kton and 75 kton, respectively. Despite Austria being down on the list, it once again stands out for its 108% growth, showing that it wants to be in the market in force. Although Italy maintains a

dominant position, the increase in exports from Austria, Mexico, and Turkey suggests that there is room for new players in the market. (Appendix H and I).

Figure 12 3 Tomato Cubes and Peeled Imports by region (kton)



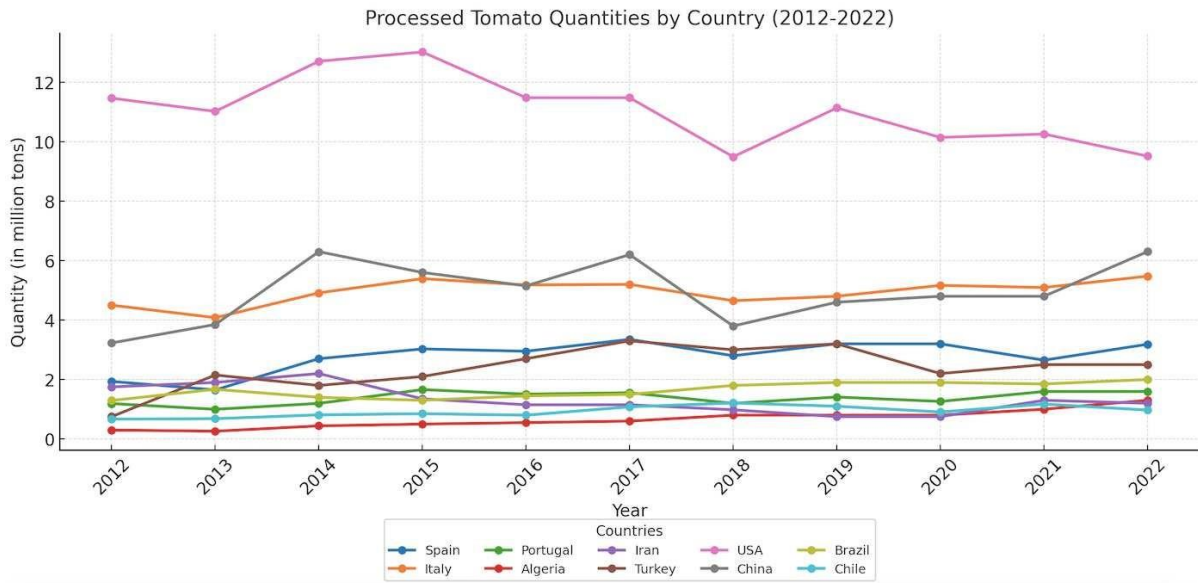
Source: Sugal Market Intelligence Report

Supply side

On a global scale, the annual production of fresh tomatoes is approximately 160 million tons, of which 44 million represent the processed tomato industry, making tomatoes the world's leading vegetable for processing. Looking for historical data (Appendix J and K), between 1989 and 2022, the processed tomato market grew by 73%, from 22M ton to 37.99M ton. Around 90% of processed tomato production is in the northern hemisphere.

Doing a deep dive in the production per region, figure 13 shows the evolution of processed tomato production between 2012 and 2022. We can say that the top 10 producing countries are responsible for producing an average of 83% of total production, with the USA, China, Italy, and Spain contributing the most. In addition, the countries with the highest percentage growth were Algeria, Chile, and China, reflecting the fact that these are potential high-growth markets. (Appendix L).

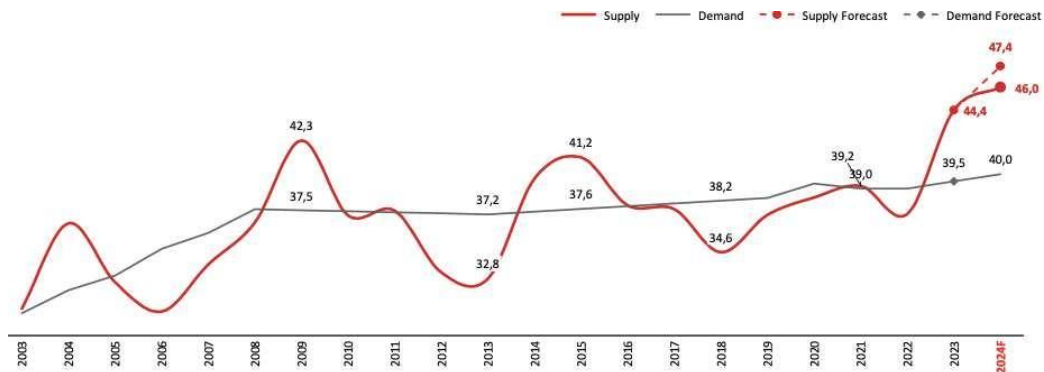
Figure 13 - Top10 countries producing processed tomatoes (M tons)



Source: Adapted from Passport Euromonitor International. Tomato News (2021)

Looking to the supply and demand curve figure 14, the demand curve has gradually grown slightly over the years, while the supply curve has fluctuated somewhat as a result of weather conditions, which is the main factor influencing production. By the end of 2024, it is expected to be a year of record production with global output of 47.200 M/tons. In this context, looking at the supply-demand curve, the expectation is that 2024 will be a year in which supply will outstrip demand, reflecting the excess supply that could have an impact on lower prices.

Figure 14 - Supply-Demand Curve

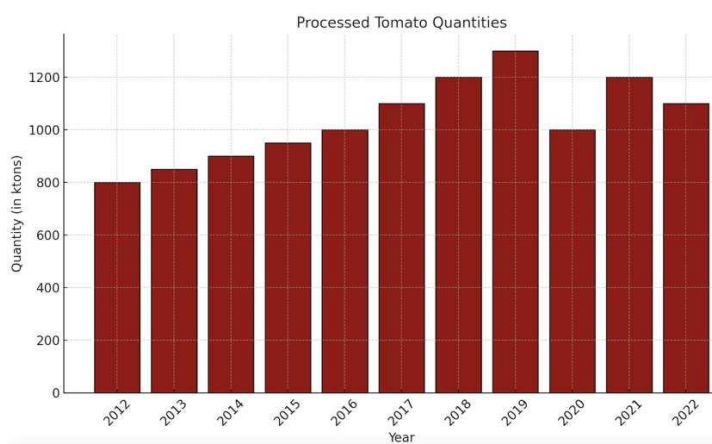


Source: AMITON; WPTC202. Sugarcane Market Intelligence Report.

## Chile Landscape

Chile is the third largest tomato producer in America and the second largest producer in South America, behind the USA and Brazil. In the last ten years, it has been in the top 10 of the world's largest producers of processed tomatoes and has an upward trend in production, as shown in figure 15. In 2012, it recorded a production of 668k tons, growing to a production of 971k tons in 2022, obtaining a CAGR of +3.8%.

Figure 15 3 Production of processed tomatoes. between 2012-2022 in Chile (ktons)



Source: Adapted from Passport Euromonitor International. Tomato News (2022)

Chile is known for its processing tomato industry, where the main product produced and exported is undoubtedly paste. (Appendix M). In terms of paste exportations, it has been growing from a total of 88.3k tons in 2013 to 136.4k tons in 2023, with an upward trend during this period. This significant increase was mainly due to exports to Central America, the Far East (Russia, Japan, and Malaysia), North America, and Western Europe. (Appendix N).

In terms of growth, it is important to highlight the year 2020, which was a record year in terms of exports as a result of increased demand during the COVID-19 pandemic. In terms of challenges, Chile has strong competition with Brazil and Argentina. Despite being an important exporter, Chile imports products such as canned tomatoes and sauces, mainly from Italy, Spain, and Portugal, to supply local demand. The Chilean sauce market has been expanding since the pandemic, although it has stabilized in recent years.

### 3.3. Expand Decision

#### *Motivations*

The first phase of Sugal's internationalization, beyond its established exports, was the expansion into Spain in 2010 through the acquisition of the former DEVISA, in Seville. The purpose of this expansion was to increase production capacity. Interestingly, before this acquisition, Sugal had already targeted Latin America as potential first internationalization destination, driven by the ambition to grow outside of Europe, however, a less distant opportunity arose. Yet, the Latin America dream didn't end as the company continued search for candidates for the next move in Sugal's international expansion.

The ambition to leave Europe was essentially linked to two factors: the desire to grow by increasing production, reducing production risks, and achieving new markets. Like any agricultural activity, tomato production is heavily influenced by climatic conditions and biological factors. In terms of climatic conditions, factors such as temperatures, rainfall, humidity, droughts, and floods can severely damage production. On the other hand, the risk of pests or diseases posed significant threats to tomato crops. Faced with these uncontrollable factors, Sugal recognized the need to diversify geographically and minimize dependence on two closely markets, Spain and Portugal. This sparked the need to explore opportunities outside of Europe, with a primary criterion being a country with similar climatic conditions.

#### *Target Country*

In 2010, Sugal initiated a series of studies and tests conducted in Brazil, but encountered challenges when pests disrupted tomato production, presenting unsatisfactory results. In consequence, Sugal intensified their search in South America, assessing opportunities in Argentina, Peru, Brazil, and Chile. Argentina and Peru were characterized by political and economic instability, with high levels of inflation, strong cambial oscillations, and protectionist policies that would make it difficult to export. Brazil was also an unstable country politically, economically and fiscally, with very high customs barriers, especially when it came to importing equipment and machinery. Brazil's exchange rate also contributed to its unattractiveness, characterized by significant instability and fluctuations. Another disadvantage of Brazil was the fact that the country wasn't very oriented to exportations, especially in the tomato industry (domestic market only), with protectionist policies.

The interest in Chile became more intense when Sugal was invited to assist at a tomato congress. After attending the congress, they realized the potential advantages of expanding to Chile. Subsequently, they started analyzing the macroenvironment between countries, concluding that *<Chile was Switzerland from Latin America"* with an open economy, beneficial trade policies, favorable conditions for business, simple and efficient bureaucracies, good levels of transparency, and modern infrastructures. The abundant, high-quality workforce and attractive costs were other advantages that made this country stand out. Chile had a strong economy, showing consistent growth, and political stability, mainly due to the influence of the *<Chicago Boys,*= who were a prominent group of Chileans economists that studied in the USA, spearheaded the implementation of neoliberal reforms after the 1973 coup. At the same time, Chilean currency was stable and consistent. According to Miguel Cruz, Chief Operations officer, *<At this time it was very difficult to find defects in Chile.=*

During this process, Tresmontes Lucchetti Agroindustrial (TMLA), one of the largest processed tomato players in Chile, approached Sugal and announced that they were selling their two factories located in Tilcoco and Talca. This could be a great opportunity for Sugal, offering immediate access to established facilities in Chile; however, it also carried substantial risks, as it was the biggest step that Sugal would take in terms of internationalization.

### 3.4. Strategy Definition

With the opportunity to acquire the Tresmontes Lucchetti Agroindustrial (TMLA) factories, Sugal faced the crucial moment of defining a solid strategy in the case of moving forward. In this section, it will be explored how Sugal defined the strategy to expand to Chile, considering the competitive challenges, opportunities, and risks. The strategic goals were very clear: sustain growth by identifying a strategic location to boost production capacity and diversify production risks across countries. Instead of growing in the target market, the focus was on using it as a <vehicle= to expand exports.

To provide context, the tomato processing industry in Chile was consolidated and dominated by two main players. Tresmontes Lucchetti Agroindustrial (TMLA) was a subsidiary of Tresmontes Lucchetti, a Mexican group with more than 128 years of history. TMLA had a strong presence in Latin America, operating two factories in Tilcoco and Talca, each capable of processing 4,000 tons of tomatoes per day. On the other hand, Agrossi, a subsidiary of Carozzi, is one of the major food firms in Chile, with more than \$1B in revenues (group). With one factory located in Teno, the group was recognized for its tomato concentrate production, high investment in technology, strong position in the exporting market, and solid global reputation. The competitive environment was clearly competitive.

At the time, Sugal had three factories with an installed production of 13.000 tons/day of processed tomatoes (Azambuja 4.000 tons, Benavente 8.000 tons, Sevilha 1.000 tons). With the expansion, Sugal would significantly increase its production capacity by +8.000 tons, resulting in a daily production capacity of 21.000 tons. Miguel Cruz (2024) outlined several risks associated with the significant initial financial commitment required to acquire the two factories. Additionally, other risks were present, such as the 14,000 km distance between Iberia and Chile, the cultural and administrative differences, as well as the differences between economies. Looking at the acquisition, several potential integration risks emerged, including difficulties in aligning operational practices and workforce management.

Looking to the positive side, the expansion into Chile presented several opportunities such as geographic diversification, economies of scale, and risk mitigation, which would serve as a motor to access to new international markets. Chile was a strategic location, with free trade

agreements with USA and European Union, enhancing trade advantages. The country offered excellent agricultural conditions (wild climate). Acquiring TMLA would represent a fast and efficient market entry, allowing immediate operations while leveraging existing infrastructure in Talca and Tilcoco factories. Additionally, Sugal would benefit from an experienced local workforce, ensuring a smoother integration.

Despite the competitive forces and associated risks, the firm identified strategic reasons that would support its decision to acquire TMLA. The possibility of increasing their production capacity through geographic diversification while mitigating risk were key factors that sustained the decision. Irene (2024), Head of System Improvements & Stabilization, asserts that Sugal's conviction in the acquisition stemmed from the team's unique human capital and know-how. Sugal strongly believed that the team's know-how was a differentiating factor and a key to achieving success. Irene (2024) also highlighted that the experience and knowledge gained from the two previous acquisitions in Portugal and Spain gave Sugal the confidence to take this bigger step. The acquisition would require a significant initial investment to complete the operation, but the team argued that a solid plan and strategy would motivate investors.

Other options, such as creating a subsidiary from the zero, were very difficult due to the several disadvantages associated with building a new factory. The process would require years to plan, involving numerous construction and bureaucratic challenges. The investment would be riskier due to increased uncertainty, especially in terms of qualified labor and challenges to develop a supply network. Economies of scale would take more time to obtain, making the expansion less efficient. Joint ventures weren't explored because the opportunity was specific for acquisition.

An additional key point of integrating TMLA was to take advantage of global efficiency. In Europe, operations were limited to 6 months, i.e. 3 months of fresh tomato production and 3 months of operations. By expanding to Chile, Sugal could operate in counter-cycle, enabling 12 months of operations (agriculture-operations-agriculture-operations). This counter-cycle approach, aimed to optimize the value chain by ensuring that the factories would complement each other in order to balance production costs.

### 3.5. Strategy Implementation and Horizontal Integration

The successful integration of the two factories would play a key role in Sugal's ability to strengthen its global value chain. The focus would be on creating operational and commercial synergies to optimize costs, expand into new markets, and strengthening global competitiveness. However, TMLA faced profitability problems that were compromising the company. To address this, a strategy was developed short and long-term based on three main pillars: investment policies, people management, and improving work procedures.

In terms of investment policies, Sugal had short and long-term approaches. In the short term, the focus was on making surgical investments to solve critical issues that were affecting profitability. These investments included solving transportation problems by acquiring <galeras= (trailers), bringing in equipment from Portugal, solving limitations that hindered the correct flow of the value chain, and tackling the main operational issues. Once operations were stabilized, the long-term strategy would prioritize structural investments. Notably later, in 2017, Sugal made the largest investment by doubling the production capacity at the Tilcocco factory to 8.000 tons/day. This strategic decision made Chile the group's main hub with an installed capacity of more than 12.000 tons per day. These investments reflected Sugal's increased commitment and involvement in Chile, strengthening its operations globally.

According to Miguel Cruz (2024), human resources management was one of the most critical issues for successful integration, representing difficult challenges and many adaptations through the years. The Chilean work culture was averse to authoritarian approaches or the direct imposition of orders. To adapt to this reality, Sugal chose to adopt a collaborative, non-authoritarian leadership approach, prioritizing suggestions and promoting open dialogues rather than rigid instructions. Sugal prioritized the maintenance of TMLA's main organizational structure, avoiding dismissals. Despite this, the Sugal team recognized the need to include a small team to help managing the financial side. Additionally, exchange programs between Portugal and Chile fostered the exchange of knowledge, leading to improved team integration, particularly in the agricultural, operational, quality and inspection departments and others.

In order to successfully integrate TMLA into the group, it was essential to align work procedures with the group's patterns. This alignment involved standardizing operational practices by standardizing production processes, defining comparable performance indicators, and implementing operational and agricultural improvements. To achieve this, Sugal gradually sent teams to provide internal consulting services, taking advantage of Sugal's know-how. Another significant change involved restructuring to reduce the number of commission agents and distributors, adjusting to the business model practiced and reducing costs in the short term.

### *Main Challenges and Difficulties*

Despite the success of the integration, the process has been long and challenging, requiring strategic adaptations. According to Miguel Cruz (2024), Sugal faced significant cultural differences, especially at the agricultural and organizational levels, leading to unexpected shocks. In Iberia, Sugal's negotiation culture with farmers was simple and straightforward: agree on quantities and set a final price. In Iberia, farmers were well equipped, experienced, autonomous, and well equipped, taking responsibility for the entire agricultural process. In Chile, however, the reality was different: farmers lacked autonomy, know-how, capital, and machinery. Sugal was forced to adapt by providing equipment, machinery, know-how, and capital, covering up to 70% of the costs (the opposite of Europe). The process was more challenging due to TMLA's lack of internal production, in contrast to Iberia, which accounted for 20% of its own tomato production in Europe. Sugal's support in financing local farmers further intensified the challenges of depending on external production, representing a challenging transformation in the company's business culture.

Miguel Cruz (2024) highlights that the lack of local financing from banks and the Chilean government was a major obstacle for Sugal. João Fezas Vital (2024), the group's global head of finance, adds that Chile's highly liberal economy, dominated by private initiatives, offered no local investment and subsidies. Establishing a relationship with Chilean banks required presenting historical results, something Sugal lacked in the country, and providing guarantees, an unfamiliar policy for the group. To overcome this major challenge, Sugal leveraged its established relationship with Portuguese banks to secure initial financing. In the first years, Sugal managed to reverse TMLA's poor results, achieving solid results. The gradual success began to build trust with local banks, despite many difficulties. Over time, they managed to secure short-term financing, and in 2023, Sugal obtained its first long-term financing. Moreover, another challenge highlighted by João Fezas Vital (2024) was the topic of the

Chilean peso's exchange rate, which, despite being stable, was not like the euro or the dollar, creating additional financial risks and requiring careful management to mitigate exchange rate impacts.

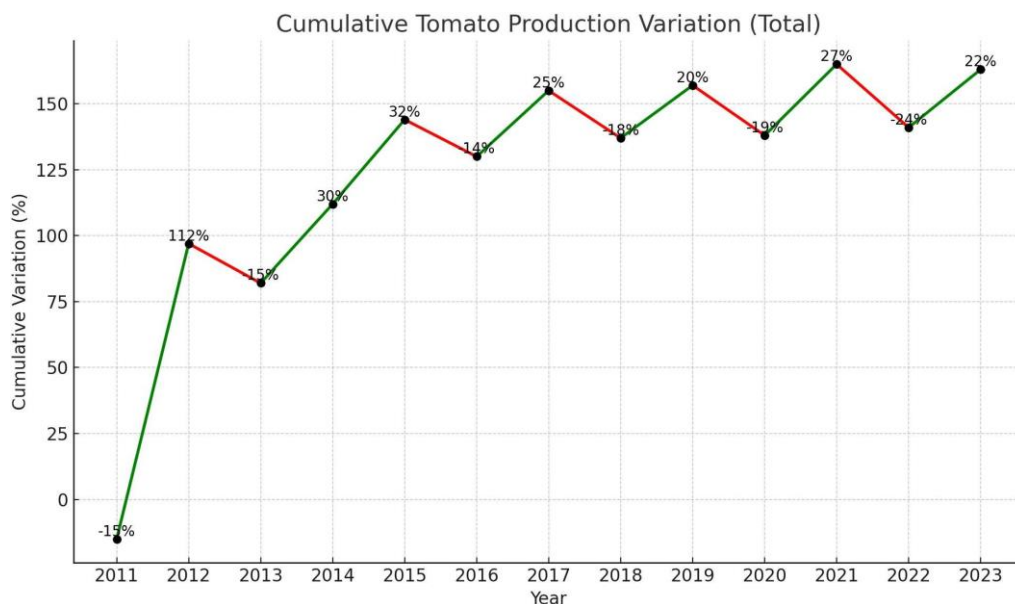
Miguel Cruz (2024) adds that it was also difficult to control operations due to the 14.000 km and 3/4hour time difference. Additionally, Sugal adopted Spanish as the standard language for communications with Chile, and when the Portuguese team travels to Chile, they adapt to Portuguese time, starting their day in the early morning. From a bureaucratic perspective, Chile's policies inspired by the USA, simplified administrative, logistical, and legal processes, which contrast with Portugal (very bureaucratic). The leadership defined by Sugal was decisive for the correct definition of the strategy, with a gradual integration, local adaptation, and the ability to respect and collaborate with a different culture.

### 3.6. Outcomes and Performance

Chile expansion was an important milestone that has consolidated the firm to be one of the main players in the world of processed tomatoes. Through the acquisition, Sugal started operating in two hemispheres, ensuring 12 months of operations. This chapter delves into the outcomes that resulted from the expansion. Additionally, it emphasizes how the integration of the two factories strengthened the value chain, which in turn contributed to the development of competitive advantages.

Sugal's growth in production was notable, particularly in the years 2012, 2014, 2015, and 2017 (figure 16). In 2012, the acquisition made a significant contribution, accounting for nearly 40% of the group's processed production (figure 17). The years 2014 and 2015 were marked by production capacity investments in Sevilla, increasing Spain's numbers. In 2017, the group reinforced its long-term commitment by investing in doubling Tilcocco's production capacity. In the following years, Chilean factories demonstrated significant growth, with 2018 showcasing the largest group's production share (figure 17). In 2022, the production was affected by water problems. The figure 17 reveals the impact on the processed tomatoes share, with Chile accounting for nearly half of the processed tomatoes production share.

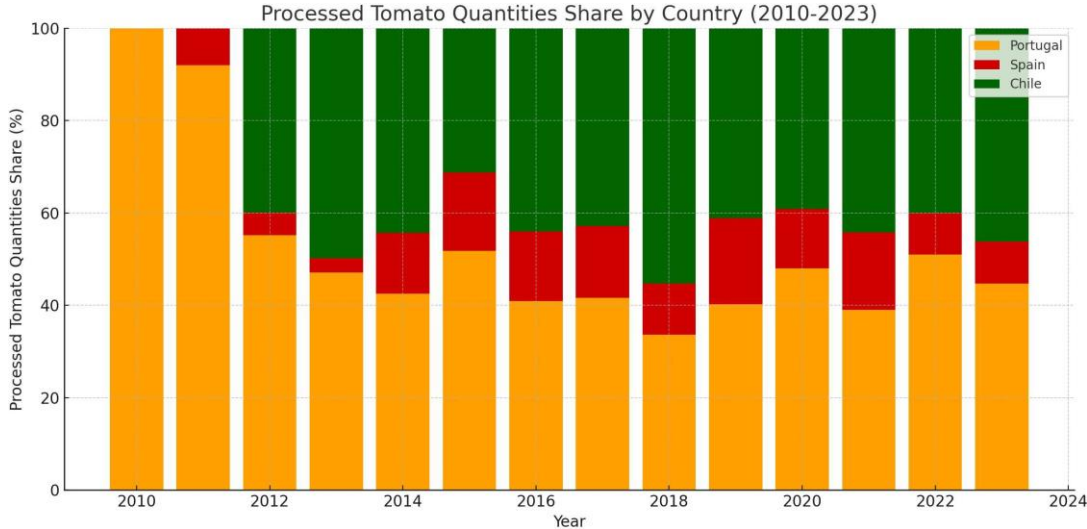
Figure 16 - Cumulative Variations 3 Processed Tomatoes Quantities \*1



Source: Adapted from Sugal Internal Reports

\*1: In the cumulative analysis, the black points in each year show the variation from the previous year. The cumulative analysis should be looked at in the vertical axis.

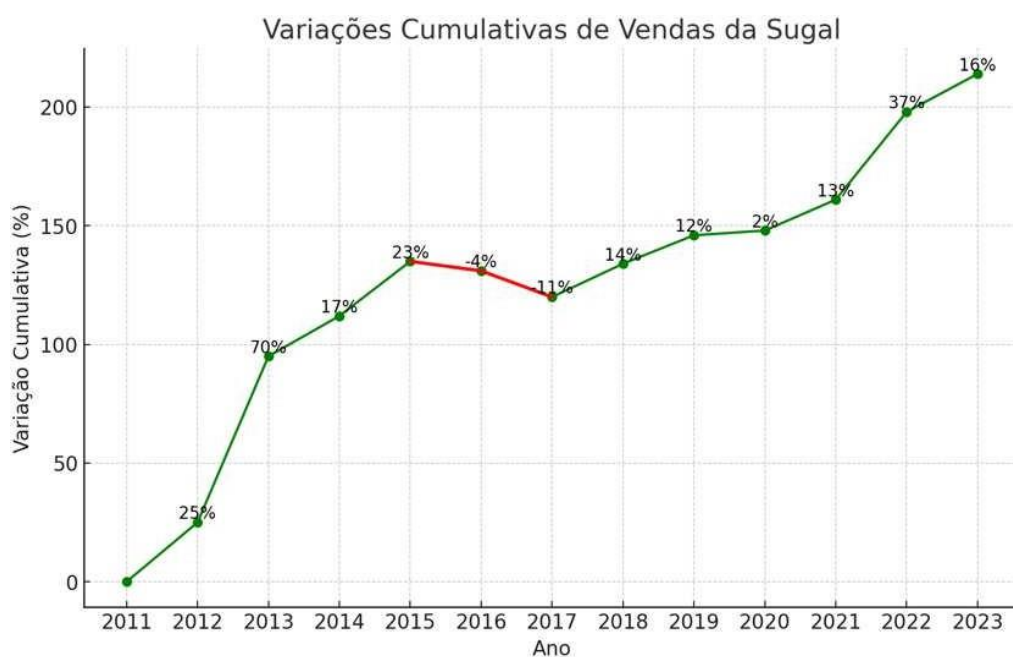
Figure 17 3 Sugal Group Production (2010-2023)



Source: Adpated from Sugal Internal Reports

Upon examining the cumulative revenues (figure 18), it become evident that the acquisition has had a positive impact, exhibiting a consistent upward trend line since 2012. Through the analysis, between 2011, 2012 and 2013, there were 25% and 70% sales increases, almost doubling in two years, with 95% cumulative growth. The unique years that presented breakdowns were 2016 and 2017, in consequence of the supply surplus that reflected the price decrease. From 2018 onward, the ascending curve took over, accounting for several growths in consequence of the lack of supply globally (figure 15 3 supply/demand curve).

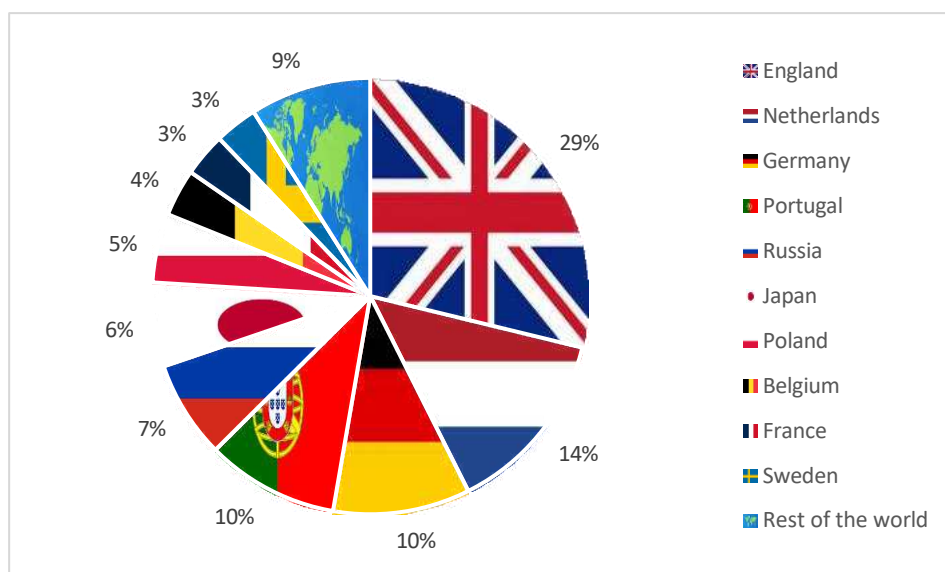
Figure 18.3 Sugal Group Cumulative Revenues (2011-2023)



Source: Adapted from Sugal Internal Reports

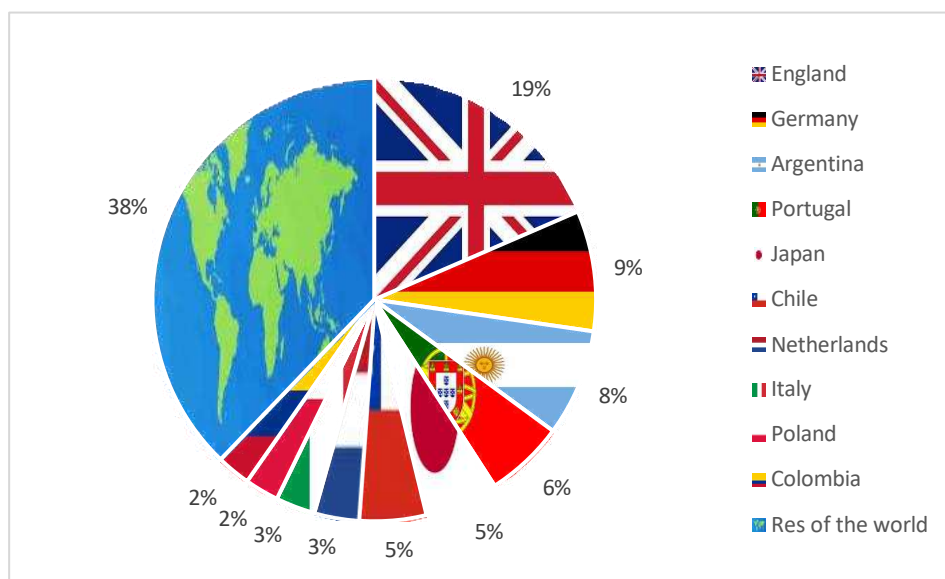
Another factor that justifies the revenue growth is the conquest of new markets. Miguel Cruz (2024) states that, before going to Chile, the presence in the American markets (North, Central, and South) was zero, and the Asiatic and Middle Eastern markets, excluding Japan, weren't expressive. In 2011, 10 countries accounted for 91% of the revenues (figure 19), with 5 countries contributing for 70%. After 12 years, 62% of the revenues are distributed by 10 countries, and the <rest of the world= represents 38% of the group sales, versus 9% in 2011 (figure 20). The expansion allowed Sugal to diversify its markets, reducing specific market dependencies and conquering new countries such as Argentina, Brazil, Venezuela, Chile, Colombia, Uruguay, Mexico, Saudi Arabia, Oman, Turkey, and much more. During these years, countries like Japan and Argentina reached 10% market share, and countries like Saudi Arabia, Venezuela, and Brazil reached 6%. As a result, markets that previously had little or no presence, gained significant interest. In 2024, America represents 32% of market share, Asia/Pacific 9%, the Middle East 5%, Europe 52%, and Africa 2%. (Appendix B).

Figure 19 3 Sugal Group Revenues Breakdown by Country (2011)



Source: Adapted from Sugal Reports

Figure 20 3 Sugal Group Revenues Breakdown by Country (2022)



Source: Adapted from Sugal Reports

Beyond the production increase, climate risk mitigation, access to new markets, and excellent climatic and agricultural conditions to plant tomatoes, there were other important benefits. The group's expansion made it the unique player in the world to operate in two hemispheres, allowing it to harvest twice a year and operate 12 months. In addition, Sugal defined a strategy focused on global efficiencies through achieving a strategic production balance between fabrics. Although the factories operate autonomously and independently, with the units in Chile focusing on producing thick sauces and ketchup for the American market, and the units in Iberia

focusing on producing non-thick sauces, juices, and soups for the European and Asian markets; there is a coordination among subsidiaries to optimize costs, leveraging the lower production costs in Chile. Thus, the group looks to find solid balance between factories, aiming to maximize the production in Chile and minimize it in Iberia.

Another noticeable enhancement was the verticalization of operations. In Chile, eliminating distributors increased the profitability. Boosting internal production reinforced verticalization and reduced the risks of financing local farmers. Since Sugal was already covering 70% of the local farmers costs, they opted to expand internal production, which has now reached 40% in Chile. This experience has provided valuable insights for Europe, where the team is focused on increasing internal production in Iberia.

Miguel Cruz (2024) emphasizes the enhancements in networking capital and the increased security delivered to the clients. By producing in counter-cycle, it was possible to align the cash flows, optimizing financial resources. Previously, strong investments were made in each harvest yielded a financial return within 6 months during the sales period. The expansion allowed to balance our cash flow, since investments in Chile are offset by sales in Europe and vice versa. The security delivered to clients was reinforced by the two harvests in January-April (Chile) and July-October (Europe), ensuring continued supply in case of any disruption.

## 4. Teaching Note

### 4.1. Sinopse

Sugal Group is one of the main tomato processors, exporting more than 95% of its production. Chile expansion was an important milestone in Sugal's expansion process, allowing it to diversify its production while mitigating production risks. The entry mode into Chile was through a horizontal acquisition, integrating the two factories of Tresmontes Lucchetti Agroindustrial (TMLA). This expansion presented several challenges related to cultural, administrative, geographical, and economic distances. In this case, students can devolve into the strategic decisions behind Chile's expansion, adopting a holistic approach from the initial motivation to the implementation strategy and outcomes. During the analysis, students will gain an understanding of how Sugal Group navigated in a challenging environment by applying the theory of strategic frameworks into practice.

### 4.2. Teaching Objectives

The case study highlights the following learning points:

- Comprehend the motivations for internationalization and evaluate the factors that motivated the country selection.
- Analyze the strategy definition in terms of entry modes and international configuration strategy.
- Identify the main challenges and critical success factors in implementing the strategy and integrating acquisitions.
- Examine the outcomes achieved and how Sugal Group created sustained competitive advantages.
- Apply strategic frameworks, such as RBV, VRIO, CAGE and Porter Value Chain, in a real word context.

### *Target Audience*

This case study is designed for undergraduate and master's students that study strategic management and international management, as well as professors and professionals that aim to explore international expansion through horizontal acquisition. It focuses on strategic concepts such as motivations to go abroad, entry modes, international configuration strategy, and frameworks such as PESTEL, RBV, VRIO, CAGE, and the Porter Value Chain.

### *Recommended Approach*

Students should read the entire case before discussing it for an efficient analysis. The literature review provides support for the theoretical frameworks utilized in the analysis. The case offers flexibility for several teaching methods, such as individual exploration, group discussion, and in-class discussions. It is recommended to allocate two weeks for the case work.

## 4.3. Case Study Questions

1. *What were the primary motivations for the expansion into Chile? How was the macro environment assessed?*

In this question, students are expected to analyze the reason behind Sugal's decision to expand into Chile. The analysis should be done considering the motivation to expand according to George S. Yip. In addition, students should assess the macro environment, exploring what made Chile to be different from potential other countries. Following the analysis, students can acquire a more profound comprehension of the complex decision-making process underlying a company's choice to expand internationally.

2. *What was the internationalization strategy in terms of entry modes and international configuration strategy, and how can internationalization theories be applied?*

The purpose of this question is to understand the entry mode chosen by Sugal to enter Chile as well as the international configuration strategy (global, multi-domestic, transnational and international). In addition, students should relate to the internationalization theories.

3. *How does the CAGE framework apply to Sugal's expansion into Chile?*

The goal of this question is to evaluate students' comprehension of the integration challenges. Students should use the CAGE framework (Cultural, Administrative, Geographic, Economic) to understand the differences between Portugal and Chile. Students should address the main challenges in each dimension that Sugal passes through.

4. *What competitive advantages did Sugal obtain through Chile expansion?*

The purpose of this question is to understand how Sugal obtained a competitive advantage over its competitors. When answering this question, students should approach RBV and VRIO frameworks. In addition, students should comprehend how the value chain was strengthened (Porter Value Chain), helping develop a sustained competitive advantage.

#### 4.4. Case Study Suggested Resolution

1. *What were the primary motivations for the expansion into Chile? How was the macro environment assessed?*

According to the motivation drivers from George S. Yip, the primary drivers for the expansion were market and cost drivers. Sugal aimed to increase its production capacity in order to expand its market reach through exports. The desire to meet the global needs of the tomato market drove Sugal's internationalization, reinforced by the fact that 95% of production is destined for exports, highlighting the incentive to consolidate its global presence. The cost driver also played a crucial role behind the expansion decision, as Sugal sought to mitigate production risks associated with climate conditions. This approach can be seen as a diversification strategy to reduce costs related to potential production disruptions. Among the Latin American countries, Chile stood out as the country with the most favorable macroenvironment. In order to analyze the macroenvironment effectively, the PESTEL serves as a strong strategic framework. Let's analyze its dimensions:

In political terms, Brazil, Argentina, and Peru have recurring political crises, while Chile is known as the "Switzerland from Latin America" due to its political stability. Chile has solid

liberal political due to the influence of <Chicago Boys=. Other advantages included favorable trade policies, with a wide-open agreement that facilitates exports. Compared to Argentina and Brazil, both countries have protectionism policies, which could pose a barrier for Sugal.

In the economic context, Chile was experiencing significant growth, driven by solid economic politics. Argentina, Brazil and Peru were economic instable, with high levels of inflation and oscillations in the local currency. When compared to other Latam countries, Chile boasts a strong educational level, a qualified workforce, and modern and favorable labor policies. In addition, the labor cost was relatively low and the local currency was stable and consistent.

Although the environmental conditions are identical in Argentina, Peru, and Brazil, Chile has shown to have excellent climatic conditions to produce tomatoes, identical to Portugal and Spain. This turns out to be the most important factor for tomato production. In legal terms, Chile is a country with a transparent regulatory environment. In contrast, Argentina and Brazil showed low levels of legal transparency and constantly changing tax laws, affecting investors.

2. *What was the internationalization strategy in terms of entry modes and international configuration strategy, and how can internationalization theories be applied?*

### *Strategy Configuration*

Analyzing the international configuration strategy is intriguing as it encompasses various dimensions such as global, transnational, and multi-domestic. On one hand, the autonomy and independence of the subsidiaries, with a focus on specific markets (such as Chile for the American market and Iberia for the European and Japanese markets) suggest a multi-domestic strategy. However, the existence of strategic coordination between subsidiaries to take advantage of global efficiencies contradicts this idea. The production maximization of Chile's factories, which focus not only on the American market but also on the European and Japanese markets to take advantage of lower production costs, is a clear example of coordination. The coordination between subsidiaries, driven by pressure for cost efficiency and counter-cyclical production, allows Sugal to operate 12 months a year instead of 6 months, reducing inactivity. This approach optimizes operations, resources, and financial flows (networking capital) between subsidiaries throughout the year, bringing the company closer to a global strategy.

Despite global coordination, local adaptation played an important role in the expansion, leading to adjustments in operations, products, and strategies to meet the specific local needs. At the product level, European factories focused on producing thinner sauces, soups, and juices, while Chile prioritized thicker sauces and ketchup. In terms of agriculture, Sugal had to modify its business model by providing machinery, know-how, and financing to cover up to 70% of the costs for local farmers. At the organizational level, the company has adjusted its leadership style, adopting more collaborative and less authoritarian practices in line with Chilean culture.

Although it's not obvious, I believe that the configuration of Sugal's strategy aligns closer to a transnational strategy, with a simultaneous quest to take advantage of global efficiency, respond to local specificities, and learn at a global level. Strategic coordination between subsidiaries and complementarity between factories highlight the focus on optimizing costs and financial resources, while adaptations to Chile's specificities reinforce its ability to respond to local demands.

#### *Horizontal Acquisition 3 Entry Mode*

Based on this analysis, Sugal entered South America, choosing a horizontal acquisition by acquiring TMLA. It was considered a horizontal acquisition since they were operating at the same supply chain level with the aim of increasing production capacity in order to reach new export markets. This acquisition would allow it to rapidly expand its production capacity, diversify production risks by operating in two hemispheres, and achieve economies of scale by integrating factories that were already operational. Expanding through horizontal acquisition was more advantageous than establishing a local setup, as it would involve more certainties since TMLA was already established in terms of structure and operations. Furthermore, Sugal felt confident to make the horizontal acquisition based on the past two successful acquisitions in Portugal and Spain.

#### *Internationalization Theories*

The expansion into Chile was strongly driven by two critical factors that can be related to internationalization theories. According to the Uppsala model, companies expand gradually as they accumulate knowledge and experience. The experience and knowledge gained from previous acquisitions in Portugal and Spain were crucial to leveraging the expansion into Chile. In addition, highly qualified human capital and the know-how represent two strong ownership advantages. These factors, combined with Chile's location (Location Advantages), with

excellent climatic conditions as well as stable political and economic conditions, made the country a strategic choice, according to the Eclectic paradigm (OLI). In addition, Sugal benefited from its networks in South America to reach the TMLA company, which opened doors for the acquisition, reinforcing the importance of network theory.

### *3. How does the CAGE framework apply to Sugal's expansion into Chile?*

The CAGE model makes it possible to identify distances between countries using four dimensions: cultural, administrative and political, geographical, and economic. The greater the distances between countries the greater the risks. Understanding these differences is essential as they impact strategic decisions regarding how to enter and integrate into new markets.

The cultural dimension revealed to be the most challenging particularly in topics of leadership, negotiation, and working patterns. Chile shows an aversion to direct authority and imposed orders, favoring a more collaborative approach, unlike Portugal's preference for direct instructions and acceptance of authority. In terms of working and negotiation patterns, this presented a significant challenge for Sugal, highlighting the differences between the two countries. Iberian farmers were autonomous and independent, with know-how and resources for a simple and straightforward negotiation process. In contrast, in Chile, farmers rely on Sugal's support, leading to a longer negotiation process. Despite the strong connection with economic factors, Sugal demonstrated cultural distance by adapting its working and negotiation culture. Sugal's lack of a strategic approach exacerbated the shock.

From an administrative and political perspective, Chile is a liberal country, adopting a US-inspired political system, derived from the Chicago Boys. This political system is characterized by a more open economy, with lower tax and fiscal burdens, favorable trade policies, and simpler bureaucracies compared to Portugal. The geographical context presented significant differences due to the distance of 14,000 km and the time zone difference of 3/4 hours, making it challenging to manage two factories and communicate efficiently. Chile's climate and maritime access offered strategic advantages, aligning with Portugal's conditions and reinforcing its value as a physical location for expansion.

Examining the economic context, several distances were identified. The two main distances were associated with the currency differences and the lack of local financing. While Sugal

previously operated in euros and US dollars, the expansion introduced a new variable: the Chilean peso, exposing it to currency risk. Additionally, unlike in Europe, where financial institutions supported Sugal's major investments, local financing in Chile was unavailable, presenting a major difference. It is also possible to add the agricultural context in the negotiation with the local farmers, explained in the culture dimension, creating significant difference compared to Portugal.

#### *4. What competitive advantages did Sugal obtain through Chile Expansion?*

Chile expansion allowed Sugal to create a sustained competitive advantage, developing competences that are unique, differentiating Sugal from its competitors. In order to do a solid and consistent analysis we should use RBV and VRIO frameworks. With the expansion, Sugal was able to strengthen its tangible and intangible resources. Regarding the tangible resources, the acquisition of two factories allowed Sugal to increase its production capacity, transforming Chile into Sugal's biggest productive hub, with a production capacity of 12,000 tons/day. The horizontal acquisition allowed for production in two hemispheres, mitigating climate production risks and ensuring a continued supply chain. The primarily intangible resources are directly associated with the operational know-how that was created and accumulated in the previous experience in Portugal and Spain. It was a key driver to increase operational efficiency and effectiveness. Furthermore, Sugal's strong global network played a crucial role, enabling a solid integration into its global supply chain. These achievements were possible because of the dynamic capabilities that Sugal had, highlighting the strong leadership. It was crucial to ensure a solid local adaptation, effective human resources management, smooth integration into the global supply chain, and strategic investment in the <correct moment.= Reinforce the remarkable ability to respect and align with a different culture.

The RBV model empathizes that the sustained competitive advantage depends on its internal resources and capabilities. With the expansion, Sugal consolidated a strategic resource: capability to operate in two hemispheres, allowing the firm to have two tomato harvest per year, something never achieved by its competitors. This capability allowed to strengthen its tangible and intangible resources. In order to transform the capability into a sustained competitive advantage, it need to comply with the four VRIO dimensions.

The capability of producing in two hemispheres is valuable because it ensures a continued production chain, creating more value while reduces production risk. Sugal is able to obtain tomato from two harvest per year, taking advantage of two production cycles. For that reason, any production scarcity can be complemented with Chile or Iberia production or vice versa. Rare because Sugal is the unique tomato player in the world with this capacity. Replicating this competence requires major investment and several risks. Cultural, geographic, technology, capital are some entry barriers that create several limitations to replicate. Sugal knew how to make the most of this capacity, integrating it efficiently into its production chains, standardizing operations in the three countries. This competence has made Sugal highly organized.

With this, is possible to state that the capacity of producing in two hemispheres is a sustained competitive advantage as it comply with the four VRIO dimensions. This advantage allowed Sugal to fortify its world positioning, being the second largest producer of processed tomatoes. The expansion not only created this competitive advantage, as well as allowed to create new opportunities to grow and diversify.

#### *Value Chain*

The horizontal acquisition of TMLA has enabled Sugal to significantly improve its primary and support activities, creating synergies that have fortified the value chain. Sugal was able to improve the entire value chain but specially their inbound and outbound logistics, operations and firm infrastructure. The increase in the production capacity of 12.000 tons per day, allowed to double the processed tomatoes, ensuring a continued production. The value chain has also become more verticalized at the upstream and downstream levels. On one hand, Chile has 40% internal production, while in Europe it was around 20% and is focused on increasing this numbers. On the other hand, the elimination of distributors and commission agents has also made the structure more vertical. Additionally, the expansion created solid infrastructures with two factories to meet international demand, ensuring operational flexibility and synergies between different countries. These four pillars strongly supported Sugal to develop a sustained competitive advantage.

## 5. Conclusion and Limitations

Sugal Group Chile's expansion was a strategic decision that reinforced its position as one of the biggest players in the processed tomato industry. An important milestone was the acquisition of TMLA in 2012, which strengthened Sugal Group's global presence. Through the acquisition, the firm succeeded in increasing its production capacity, operating in two hemispheres, and mitigating production risks. This production increase allowed the firm to diversify its markets, especially in America, Asia, and the Middle East. By operating in two hemispheres, Sugal was able to expand its operations to two crops per year, operating twelve months per year and producing tomatoes for six months per year (versus two/three months before expanding). The strong leadership and accumulated know-how were crucial to ensure a proper adaptation, overcoming cultural, administrative, geographical, and economic challenges. The previous acquisition experiences were also fundamental to replicating the well-succeeded practices and learning from previous errors. The expansion was important for Sugal's financial and commercial stability. Putting it all together, Sugal fortified its value chain, gained a competitive advantage over its competitors, and became the unique player producing in both hemispheres.

The present dissertation focuses on the expansion to Chile, which implies a generalization of certain values. Some financial and operational information wasn't available because of privacy terms, limiting economic and operational deep dives. The case study was based on interviews, meaning that besides the methodological rigor in collecting and interpreting data, some information can reflect subjective interpretations.

## 6. Appendices

### Appendix A: Top 50 global processors in 2022

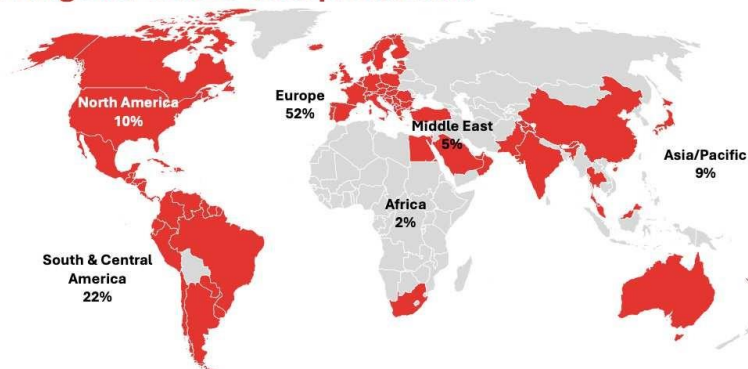
**Global companies with a total annual tomato processing capacity of 200 000 metric tonnes or more in 2022**

Rank by annual capacity	Company	Country	Number of factories	Location of factories	Daily processing capacity (mT)	Yearly processing capacity (mT)	2022 production (mT)	2021 production (mT)
1	MORNING STAR	USA	3	CALIFORNIA	67000	4900000	3460000	3660000
2	SUGAL GROUP	PORTUGAL	5	PORTUGAL, SPAIN, CHILE	30000	2550000	1950000	1780000
3	COFCO	CHINA	12	CHINA	40000	2080000	1780000	1550000
4	INGOMAR PACKING COMPANY (1)	USA	2	CALIFORNIA	16000	1550000	1203867	1222375
5	CONESA (2)	SPAIN	9	SPAIN, PORTUGAL, CHINA, CALIFORNIA	28900	1500000	910766	1187630
6	JG BOSWELL (*)	USA	2	CALIFORNIA	15000	1200000	1010000	900000
7	CASALASCO GROUP (3)	ITALY	5	ITALY NORTH	17400	1044000	820000	570000
8	LOS GATOS	USA	1	CALIFORNIA	8100	1000000	865000	840000
9	CAMPBELL (*)	USA	2	CALIFORNIA	10800	980000	780000	780000
10	NEIL JONES (*)	USA	2	CALIFORNIA	10900	950000	590000	590000
11	STANISLAUS (*)	USA	1	CALIFORNIA	10800	940000	620000	630000
12	AGROFUSION (*)	UKRAINE	3	UKRAINE	13000	780000	60000	710000
13	CONSERVE ITALIA	ITALY	6	ITALY, FRANCE	12000	700000	416000	485000
14	KAGOME GROUP (1)	JAPAN	4	PORTUGAL, AUSTRALIA, JAPAN	14000	680000	576000	621000
15	MUTTI	ITALY	3	ITALY NORTH, ITALY SOUTH	9458	660000	603000	680000
16	Xinjiang Guanhong Group	CHINA	3	CHINA	15600	660000	386000	380000
17	PCP (*)	USA	1	CALIFORNIA	7900	660000	360000	600000
18	Xinjiang Chexin (4)	CHINA	7	CHINA	15400	650000	502000	n/a
19	Xinjiang YanyangTian (8)**	CHINA	1	CHINA	11400	582800	0	570000
20	DEL MONTE (*)	USA	1	CALIFORNIA	6200	570000	240000	280000
21	TAT CONSERVE	TURKEY	3	TURKEY	11600	550000	542000	503000
22	TUKAS	TURKEY	3	TURKEY	11000	550000	470000	350000
23	CONAGRA (*)	USA	2	CALIFORNIA, CANADA	6100	550000	420000	390000
24	SICAM	TUNISIA	2	TUNISIA	9000	500000	269495	350515
25	CONSERVERIE BENAMOR (*)	ALGERIA	4	ALGERIA	7600	500000	n/a	n/a
26	Xinjiang NongFa Group (5)	CHINA	3	CHINA	5500	494000	479000	434000
27	STERILTAM (6)	ITALY	2	ITALY NORTH	6500	430000	390000	410000
28	ROJINTAK	IRAN	1	IRAN	4300	430000	141142	102334
29	TRANS	SPAIN	2	SPAIN, PORTUGAL	10500	420000	300000	320000
30	PREDILECTA	BRAZIL	5	BRAZIL	5300	400000	355000	320000
31	TOMATES DEL GUADIANA	SPAIN	1	SPAIN	8000	400000	218490	347007
32	AGROZZI	CHILE	1	CHILE	6000	380000	357000	390000
33	SULTAN (*)	TURKEY	4	TURKEY	8200	370000	350000	n/a
34	LA DORIA	ITALY	4	ITALY NORTH, ITALY SOUTH	7700	370000	236000	291000
35	TaCheng HongYang	CHINA	2	CHINA	7000	364000	161000	154000
36	Inner Mongolia FuYong	CHINA	2	CHINA	7200	360000	187000	196000
37	ESCALON (*)	USA	1	CALIFORNIA	3600	348000	250000	210000
38	PRONAT	SPAIN	1	SPAIN	5800	348000	203123	271632
39	P&J FOR JUICE AND PASTE	EGYPT	2	EGYPT	1000	300000	280000	246000
40	RODOLFI MANSUETO	ITALY	3	ITALY	6300	300000	270000	285000
41	PRINCES	ITALY	1	ITALY SOUTH	5000	300000	230000	220000
42	NOMIKOS	GREECE	3	GREECE	6100	300000	130000	190000
43	GIAGUARO (*)	ITALY	2	ITALY NORTH, ITALY SOUTH	7000	300000	n/a	n/a
44	EMPRESAS IANSA (7)	CHILE	2	CHILE, PERU	3600	285000	220000	191000
45	ZER (*)	TURKEY	3	TURKEY	6000	270000	200000	n/a
46	COMOCAP	TUNISIA	1	TUNISIA	4800	264000	42640	107052
47	HIGHBURY CANCO	CANADA	1	ONTARIO	4800	240000	200000	144000
48	LAS MARISMAS	SPAIN	1	SPAIN	4500	230000	0	150000
49	ALSAT	SPAIN	1	SPAIN	4700	220000	122000	200000
50	KRAFT HEINZ (8)	TURKEY	1	TURKEY	4500	210000	180000	190000
51	SOLANA	ITALY	1	ITALY NORTH	3700	200000	160000	195000
52	TOMALIA	SPAIN	1	SPAIN	4500	200000	106000	174000

Source: Tomato News

### Appendix B: Sugal Group Exportations Overview

**Present in more than 70 countries**  
**Exporting over 95% of total production**



Source: Sugal Internal Report

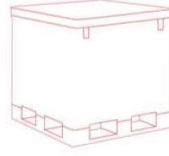
## Appendix C: Industrial Products



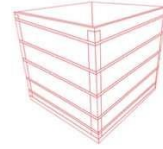
**DRUM**  
215 -240 KG



**GOOD PACK**  
1400-1600 KG



**PLASTIC BIN**  
1150-1200 KG



**WOODEN BIN**  
1400 KG

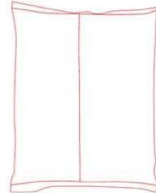


Source: Sugal Internal Report

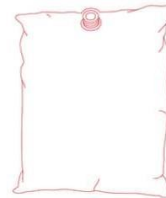
## Appendix D: Food Services Products



**CAN**  
3-5 KG



**POUCH**  
FROM 2 TO 5 KG



**BAG IN BOX**  
10-20 KG



Source: Sugal Internal Report

## Appendix E: Retail Products

**TETRA BRIK**  
**ASEPTIC**



**TETRA**  
**RECART**



**PLASTIC**

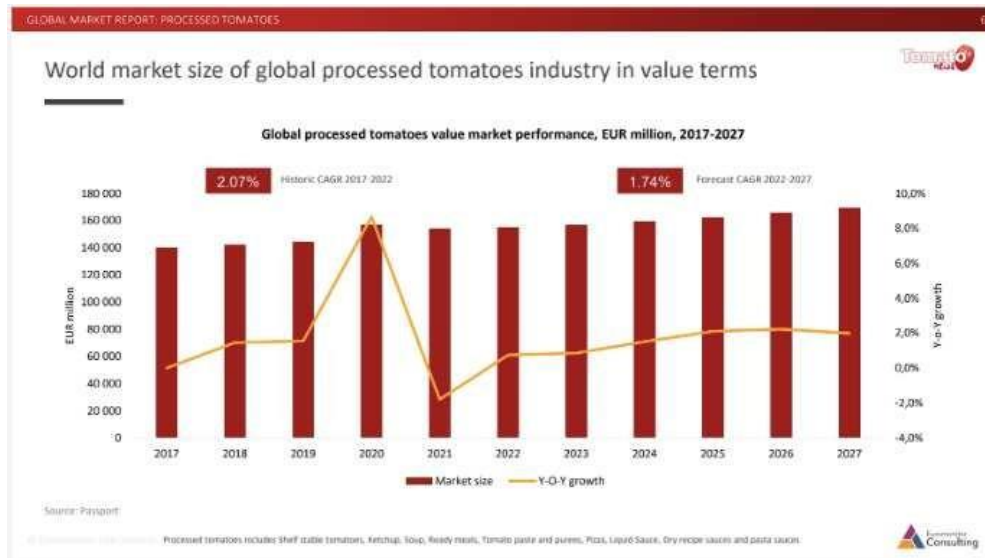


**GLASS**



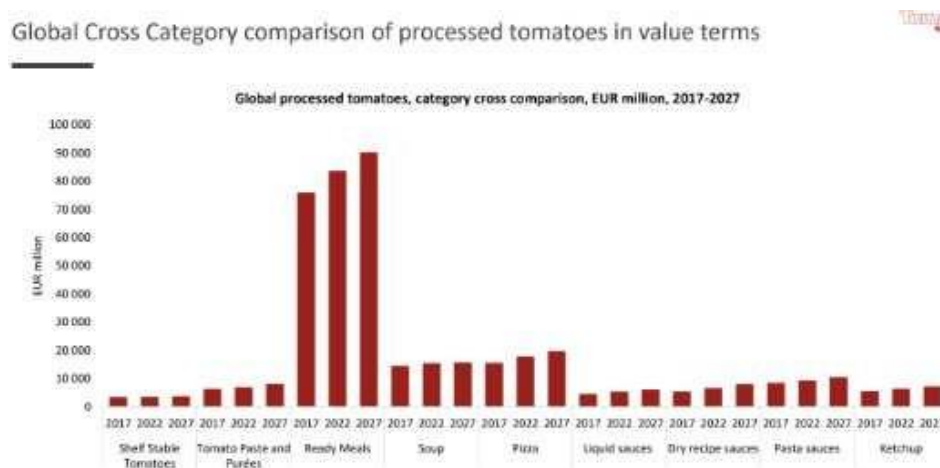
Source: Sugal Internal Report

## Appendix F: World market size of global processed tomatoes industry in value terms



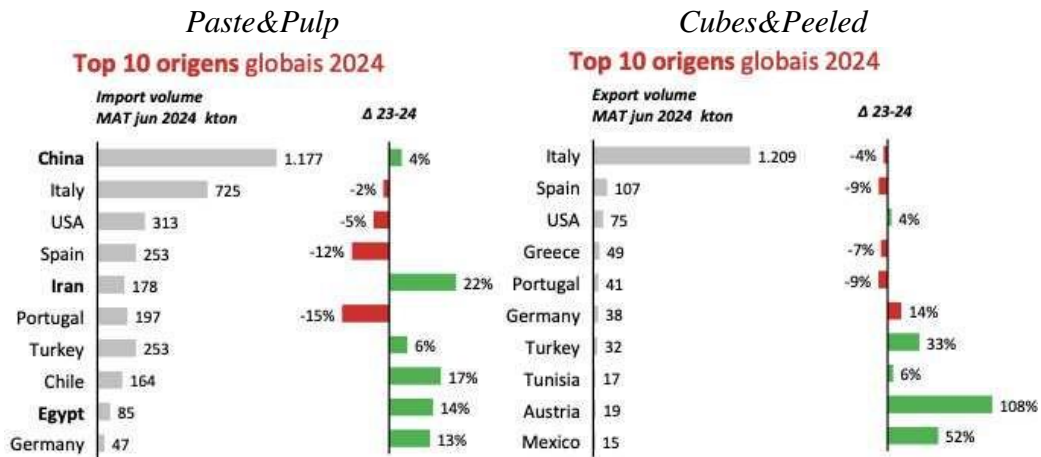
Source: Euromonitor International. Passport Tomato News (2023)

## Appendix G: Global Cross Category comparison of processed tomatoes in value terms



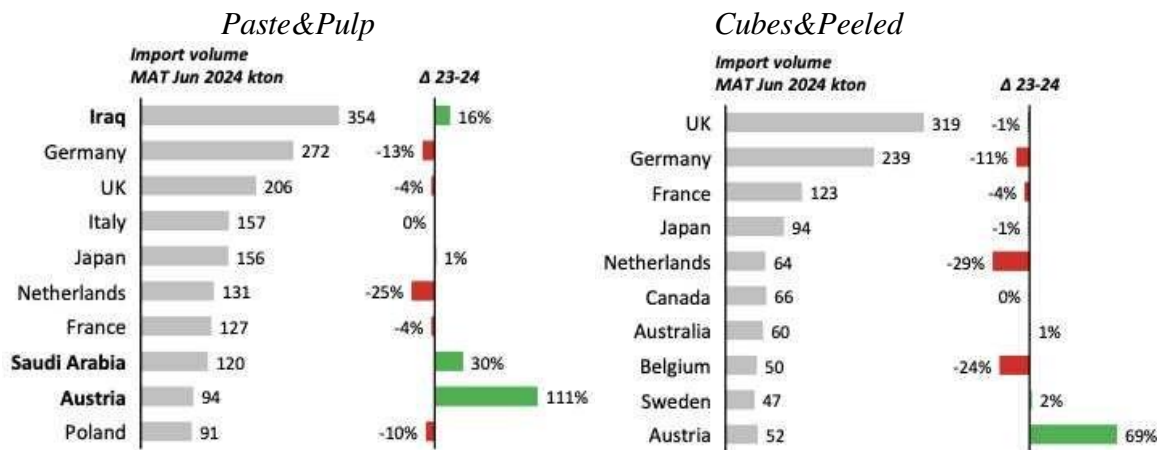
Source: Euromonitor International. Passport Tomato News (2023)

## Appendix H: Processed Tomato Exports Paste&Pulp and Cubes&Peeled



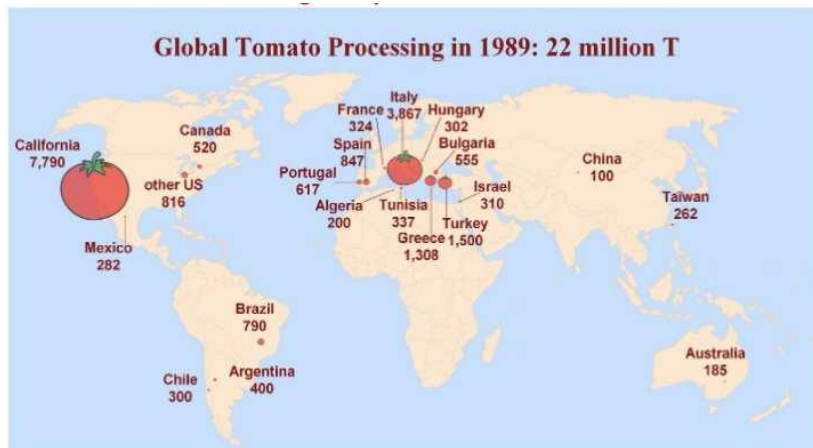
Source: Sugal Market Intelligence Report

## Appendix I: Processed Tomato Imports Paste&Pulp and Cubes&Peeled



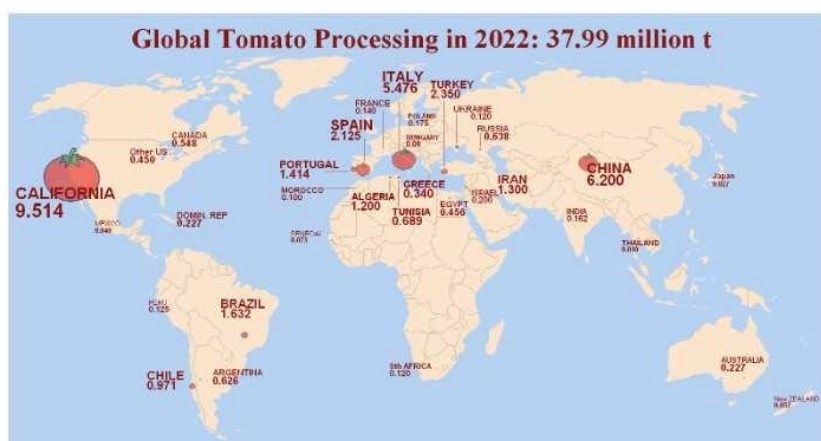
Source: Sugal Market Intelligence Report

## Appendix J: Global Tomato Processing in 1989



Source: Tomato News

## Appendix K: Global Tomato Processing in 2022



Source: Tomato News

## Appendix L: Global Production 2012-2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Spain	1 935	1 650	2 700	3 028	2 950	3 350	2 800	3 200	2 650	3 185	2 125
Italy	4 500	4 080	4 914	5 393	5 180	5 200	4 650	4 801	5 166	6 059	5 476
Portugal	1 190	997	1 197	1 660	1 507	1 554	1 198	1 410	1 262	1 596	1 414
Algeria	300	260	440	500	550	600	500	800	800	1 000	1 200
Iran	1 750	1 900	2 200	1 350	1 150	980	750	1 650	1 300	1 300	1 300
Tunisia	840	618	720	920	650	643	618	815	961	940	689
Turkey	1 750	2 150	1 800	2 700	2 100	1 900	1 300	2 200	2 500	2 200	2 350
Ukraine	385	330	470	550	550	650	735	720	800	800	120
California	11 464	11 020	12 707	13 018	11 470	9 492	11 137	10 144	10 258	9 761	9 514
China	3 230	3 850	6 300	5 600	5 150	6 200	3 800	4 600	5 800	4 800	6 200
Brazil	1 294	1 670	1 400	1 300	1 450	1 450	1 400	1 200	1 421	1 525	1 632
Chile	668	682	810	850	800	1 080	1 211	1 100	907	1 174	971
<b>S/Total Top 10</b>	<b>28 621</b>	<b>28 617</b>	<b>34 748</b>	<b>35 819</b>	<b>32 407</b>	<b>31 856</b>	<b>28 981</b>	<b>31 120</b>	<b>32 225</b>	<b>32 540</b>	<b>32 182</b>
Top 10 vs Global	85,64%	86,20%	87,10%	86,57%	85,12%	84,28%	83,24%	83,25%	83,91%	83,04%	84,71%
other	4 798	4 580	5 148	5 555	5 665	5 941	5 834	6 263	6 177	6 644	5 807
<b>Global processing</b>	<b>33 419</b>	<b>33 197</b>	<b>39 896</b>	<b>41 374</b>	<b>38 072</b>	<b>37 797</b>	<b>34 815</b>	<b>37 383</b>	<b>38 402</b>	<b>39 184</b>	<b>37 989</b>

Source: Tomato News, 2021

## Appendix M: Chilean Trade Balance for Tomato Products



Source: Tomato News

## Appendix N: Tomato Paste Exported by Chile, per region between 2013/2014

<i>May - April</i>		<b>Chilean Exports of Tomato Paste (mT)</b>									
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
CentrAmer	T	30 049	33 847	29 463	29 494	30 335	36 148	62 945	49 677	47 431	57 828
South America	T	40 228	34 662	40 852	54 874	47 623	40 374	51 970	55 821	43 861	26 885
Far East	T	11 425	8 105	8 765	9 939	21 381	24 539	30 326	25 195	23 021	19 559
NorthAmer	T	692	423	2 272	1 274	400	1 783	1 533	4 120	8 130	17 964
Western EU	T	1 322	9 219	13 834	7 168	6 811	8 995	20 915	4 402	20 663	10 499
Europe Non EU	T	0	38	121	0	1	557	2 500	548	5 012	1 973
Eastern EU	T	133	880	1 396	550	243	584	2 726	1 870	3 437	737
Austr NZeal	T	0	0	0	0	308	337	58	269	233	583
Middle East	T	2 500	6 156	12 611	8 705	10 770	6 171	5 921	4 571	5 280	308
EurAsia	T	2 044	12 156	7 510	7 429	4 941	5 409	19 110	2 453	1 285	77
Indian Penins.	T	0	0	0	19	0	0	254	519	0	19
China	T	0	0	0	0	21	0	0	1	0	0
MediterrAfrica	T	0	0	0	0	0	58	19	201	0	0
SouthAfrica	T	0	499	0	0	0	18	0	0	0	0
<b>Total</b>	<b>T</b>	<b>88 393</b>	<b>105 985</b>	<b>116 824</b>	<b>119 452</b>	<b>122 834</b>	<b>124 973</b>	<b>198 277</b>	<b>149 647</b>	<b>158 353</b>	<b>136 432</b>

Source: Tomato News (Trade Data Monitor)

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