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MRM: Spilled milk in the Polish market

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Abstract

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The Case Study presents a Portuguese transport and logistics firm, MRM, founded in 1993 by Afonso Ramos and operating in PALOP countries. The company entered the Polish market in 2009 because of the financial crisis and the drop in maritime transport.

MRM was then faced with a lack of price competitiveness of the commodity transported which lead to the loss of its main client. This situation placed Afonso in a position where he had to decide to keep the Polish office open.

The Case Study approaches topics such as internationalization, big client dependency, price fluctuation, and market structure.

This Thesis includes a Literature Review of subjects related to the key issues raised by the Case and a Teaching Note that offers an analysis of the main problem of the case study, in order to help instructors prepare for the discussion in class of the Case.

Conclusions are the need to know how to navigate financial instability and broaden the scope of a firm to reduce exposition to external factors.

Resumo

O Case Study apresenta uma empresa portuguesa de transportes e logística, a MRM, fundada em 1993 por Afonso Ramos e que opera nos PALOP. A empresa entrou no mercado polaco em 2009 devido à crise financeira e à queda na indústria de transporte marítimo.

A MRM viu-se então confrontada com a falta de competitividade dos preços das mercadorias transportadas, o que levou à perda do seu principal cliente. Esta situação colocou Afonso numa posição em que teve de decidir se mantinha o escritório polaco aberto.

O Case Study aborda temas como a internacionalização, a dependência de grandes clientes, a flutuação de preços e a estrutura de mercado.

Esta Dissertação inclui uma Revisão de Literatura de temas relacionados com as questões-chave levantadas pelo Case Study e uma Teaching Note que oferece uma análise do problema principal do Case Study, de forma a ajudar os formadores a prepararem a discussão do Case Study na aula.

As conclusões são a necessidade de saber como navegar na instabilidade financeira e alargar o âmbito de uma empresa para reduzir a exposição a fatores externos.

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Case Study

It was late in December 2009, and Afonso Ramos, 55, CEO of MRM, a Portuguese shipping company with revenues of 22M€, was worried about the situation of the recently opened Polish branch.

MRM was a freight forwarder specialized in sea, air, road freight, and logistics operating in the African continent, specifically in Portuguese-speaking countries such as Cabo Verde, São Tomé and Príncipe, Guiné-Bissau, and Angola. This led to a venture in Poland in 2009 as one major client was establishing its supply chain and wanted MRM to be its freight forwarder.

Despite the success of the first 11 months of operation in Poland, the company had only one large client, BDRK, and a couple of smaller ones. The relationship with BDRK was unstable and local revenue growth had stalled. Regardless of his over 30 years of professional experience in the field, Afonso was surprised by this turning of events.

It was time to have a meeting with Gregory, his employee in Poland, to discuss the local situation and the future of what seemed to be such a promising market just a few months earlier.

The Foundation of MRM

Before the foundation of MRM, Afonso worked for an old freight forwarding company where he had the opportunity to pursue new business lines, namely developing the expansion of Cabo Verde market.

Freight forwarders were intermediaries between the final client and the owners of the service (shipowners, airlines, and road cargo companies). They did not possess any of the infrastructure needed to operate the business, such as ships, trucks, planes, port operations, containers, or transport maintenance. They excelled at handling all the bureaucracy and logistics between these two parts, such as customs, handling the cargo until the port or at the destination, and even warehouse support when available. Freight forwarders normally had good connections and could get prices for slots in containers or planes that were not available to the final client. This business relied on the capacity to negotiate prices and to develop relationships with all the parties involved in the deal. The ability to lower those prices would result in profit since the

client would pay a price from which would be deducted the cost of the transport owner plus all other operating costs. It was truly a business of low margins.

The connections Afonso had made in the past and his freight forwarding experience made him confident about starting the new Cabo Verde operation, sure that the clients would favor an innovative approach, suggested by his profound understanding of the market he had been visiting for the past 7 years. Clients regarded Afonso as a trustworthy business partner and valued not only his knowledge but also his ability to navigate the complexity of freight forwarding where cargo could be fragile, and timing was key.

In 1993 Afonso found an opportunity in the Angolan market to launch his own firm. Angola was undergoing a civil war, and a peace treaty had been recently signed between both factions. This made him anticipate an increase in the cargo shipped to and from that country. This anticipation made Afonso talk with clients in the Angolan market and culminated with a contract to move 1800 containers per year through a chartered ship marking the birth of MRM with three full-time employees. By the end of 1993, Afonso left his old employer to pursue the dream of having his own firm.

MRM was then founded with little funding and operating with a sole contract, backed by the promise of peace in Angola. Some clients followed him from the old firm. The adaptability of the firm and the connections Afonso had made in his previous experiences allowed MRM to operate in other countries beyond the ones they specialized in.

Afonso was in his late thirties, and this was not his first endeavor at opening his own business. He once had a sporting goods store in Costa da Caparica, just south of Lisbon, where he had lived since he was 13 years old. MRM was, however, a big risk as he was entering a market controlled by major firms where price could dictate the success of the business, and a larger player could offer a lower price. The first step Afonso took was carefully thinking of a Plan B, in case Angola went back to its prior state, to expand to new markets and different businesses such as logistics, which he knew were needed. His goal was to provide a regular service to these other markets, such as other PALOP¹ countries, using trustworthy partners and strict control at the destination to ensure a proper service to his clients.

It was not long until Afonso's concern was justified. In 1994, just a year later, the peace treaty in Angola broke down and the business fell abruptly. The long-lasting civil war was resumed

¹ Portuguese-speaking African countries

and with these conditions, the firm was diverted to transits and logistics and abandoned the chartering of the ship to Angola.

Two years after the peace treaty breakdown, the firm's turnover was already compensating for the loss of the Angolan business. By 1996 the firm had expanded to Guiné-Bissau and island markets such as the Canary Islands and Cabo Verde. Later MRM also moved to the São Tomé and Príncipe market. The clients were composed of soft drinks and beer exporters and there was a high volume of cargo being moved by MRM.

Traumatized by his recent experience in Angola, Afonso was now picking a more stable and peaceful country to establish his firm.

At the end of 1996, MRM merged with a transit firm in Cabo Verde. This made MRM the biggest cargo operator to Cabo Verde in Portugal and the biggest Portuguese freight-forwarding company to operate in Cabo Verde's ports. Afonso had already worked with all these Portuguese-speaking African countries and had good relationships in all of them, knowing his way around and being able to gain the trust of important people in each market, and, more importantly, to bring good prices to Portuguese clients wanting to export their goods to these countries.

Overseas trading was beginning in Cabo Verde and there was space for new players to enter. Afonso could ensure proper service between these islands and Portugal, being able to control both the departure and arrival of cargo, making MRM stable and without difficulties in positioning in this market.

MRM: Response to the financial crisis

In the following ten years, MRM solidified its business in these core markets and eventually expanded to Asia. In 2006 the company already had twenty full-time employees and kept growing in all its markets. MRM was now a founding member of Atlas and WCA, two of the biggest logistics networks in the world. WCA had, in 2009, about 10063 members in 186 countries, so MRM was now part of a network enabling it to work with a multiplicity of markets and was starting to operate some business besides their regular lines in Asia with air cargo representing a new revenue stream for the firm. The biggest turnover recorded by MRM was in 2008 with 22M euros but more challenging times were coming to MRM.

The big financial crisis had hit Portugal and MRM was no exception. There were already talks about Portugal getting severe austerity policies and economic stagnation. Maritime transport was affected with a forecast of a 10% decline in 2009, characterized by a heavy decrease in demand although the sector was expanding previously, and supply was bigger than ever (see exhibit 1 for supply and demand in the maritime transport sector). Freight rates consequently dropped to a historical minimum after growing exponentially during the years before the crisis (see exhibit 2 for container freight rates, before and during the crisis, according to the Chinese Containerized Freight Index) and turnover decreased by about 30% to 15M euros from 2008 to 2009.

MRM had to turn to other businesses. It was already dealing with big cargo contracts with construction firms to destinations off its regular lines, but more business was needed to keep the company going. As a multimodal expert, MRM had the benefit of being able to explore businesses along different transportation modes, such as road cargo.

Companies in this sector usually specialized in one type of transport. MRM was competitive in this market as it provided multiple services. Multimodal transport was a strong asset to have in the company's portfolio. It represented the ability to do any type of service, even if it had to include more than one way of transport. If one needed to do sea transport and then a road one for the same cargo, only multimodal freight forwarders could help since they gave an all-inclusive price. Multimodal transport firms also had relationships with all transport types, so, even if the client only needed one type of transport MRM would be suitable to find them the best service and price, as it already had relations with all types of transport owners. MRM was even able to function as a consultant for the client, helping with which way of transportation to choose.

In 2009 MRM's main competitors were Spanish and Portuguese firms which operated with higher margins and had good links with big multinational shipowners such as CMA-CGM, Hapag-Lloyd, and Maersk. MRM worked closely with Transinsular, a renowned ship owner in Portugal. Its ability to have a regular line for MRM's biggest clients ensured the quality and speed of service. The multiple years as freight forwarders in the old Portuguese colonies enabled it to guarantee a good service at both the destination but also at departure through its links with shipowners. This service enabled MRM to monitor closely its clients' cargo and earn their trust for continued deals with good freight rates. This way, it was able to respond quickly to any problem that arose with cargo and conjugate that with a close relationship with all parties

involved at the destination. Afonso mentioned that this way of working was key to MRM's success. His constant travels to the countries they operated in together with their new logistics network brought safety and confidence to MRM's service. Afonso spent at least 6 to 7 days in Cabo Verde every 3 months. This cost was important as these countries were not yet globalized. So, the CEO's presence was key to earning the customers' trust. "Personal contact with clients in Cabo Verde is very important to win over the competition and we excel at that," said Afonso. All logistics were controlled by its offices in Porto, Lisbon, and Cabo Verde. At that time, MRM had weekly regular lines to Angola, Cabo Verde, Guiné-Bissau, and the Canary Islands. MRM also had a once-per-month service to São Tomé and Príncipe. Business at the time was spread across these territories, with cargo for projects (such as construction) and air to Asia and road cargo, being a smaller fraction of the business. Cabo Verde was by far the largest market with a mix of big and small clients controlled by MRM, followed by Guiné-Bissau and São Tomé and Príncipe, which had a big client backing those markets and fewer small clients. Angola and the Canary Islands were next, with small clients composing most of the MRM's business there. MRM was always present on the biggest trade fairs of the market, and was on the founders of alliances such as Atlas and WCA, which was the largest network of freight forwarders in the world. This enabled the firm to find new business opportunities and new markets.

That was when a contract with a Polish road cargo company was signed, and MRM expanded to Poland in search of new business.

The Polish journey

When the global financial crisis hit Portugal, the Polish market was appealing as it had a big Portuguese corporation with whom MRM already worked in Portugal operating with a logistic center in Krakow. There was a need for a weekly route between Portugal and Poland to move milk cartons. There were difficulties in ensuring support in Poland for the arrival of the cargo, and the client needed a trustworthy player in the destination, partnering with local companies. MRM figured it could fill the gap and help its client. On the other hand, there was a high movement of trucks arriving in Portugal with goods the client imported from Poland that were going back to Poland empty. Afonso saw Poland as an opportunity to expand. MRM had the client and the price to deliver the service as the trucks were currently going to Poland empty. It locked in the contract with the road cargo company offering the client the best price in the market.

The contract was entirely based on the milk cartons' price. As soon as the price increased in Portugal it was no longer profitable for BDRK to import this good to Poland.

BDRK, the local subsidiary of the large Portuguese client, was the first client of MRM's Polish branch and was the largest supermarket chain in Poland. In 2009, Poland was defeating the trend seen across Europe and was growing economically. BDRK had fourteen competitors and was winning the market in the discount supermarket ecosystem. Its strategy was based on proximity, with over 1100 supermarkets all over Poland. Its low price was key to the strategy and thus it was not possible to maintain any business where the price of the import was bigger than the price of the local item. The price of milk was lower in Portugal than in Poland and had been so for some years, so the deal looked stable and good for the near future.

In Afonso's opinion, locking in such a big client in a country where they did not operate previously was a sign of the quality of MRM's service and guaranteed a much-needed business when its regular lines were decreasing.

By December 2009, MRM had already established an office in Krakow with one full-time employee. The company had more clients, such as smaller supermarket chains importing wine and tomatoes to Poland, which would help to sustain the operation in case the price of Portuguese milk increased. However, for a small structure such as MRM's, which had about thirty full-time employees at the time, having an office and one more employee on the other side of Europe was difficult to manage. Video calls and remote work were not common at the time and Afonso had a demanding time ensuring Gregory, his employee, was doing everything correctly at the cargo's destination. All these obstacles in such a difficult environment were just the start of the instability MRM would have to overcome in the Polish branch.

Milk price surges

MRM strengthened its position in the Polish market, maintaining a big volume of weekly cargo for BDRK and acquiring other smaller clients along the way. However, in 2009 the price of milk in Portugal started to increase, threatening the stability of MRM's business.

By 2009 the globe was facing one of the most severe recessions since the Great Depression. Portugal was strongly impacted, not being able to pay or finance government debt, and was bailed out by the International Monetary Fund, the European Commission, and the European Central Bank. These creditors were named "Troika."

Prices were kept low throughout the Portuguese recession as demand decreased and thus it was easier for BDRK to receive goods from Portugal since the Polish economy was not heavily affected by the crisis.

As Portugal was bailed out, the price of milk went up and it was no longer beneficial for BDRK to import milk cartons from Portugal. Thus, MRM lost its number one client in Poland and the trucks coming in from Portugal with a low cost were also disappearing as it was no longer profitable to move goods around with less cargo volume.

With the business with BDRK no longer sustaining MRM's operation in Poland, MRM was not either able to offer its low prices to other Polish clients. MRM tried to get more clients at a lower price to cover the costs of the Polish operation, but this was not possible as the costs were still higher than the revenue they were bringing in.

Polish Branch struggles

MRM was not profitable in the Polish market after BDRK left. It was paying to its suppliers the same it was getting from the client and revenues were short. It was not making a margin nor finding suppliers with lower prices for those volumes to turn the situation around. There were more experienced companies in Poland able to offer lower prices and even though MRM had made a name for themselves in the market during the years an immediate solution was needed. As Portugal was bailed out and maritime transport was going back to old volumes, Afonso had an escape route to MRM's regular lines again.

Afonso had long thought about the path of the company. If the Polish branch stayed open it could weaken the firm's recovery in its core markets. However, letting go the Polish branch and its employee could damage the firm's image in the country, which could lead to the loss of more clients.

On the one hand, the technological advances during recent years made it easy for MRM, along with its logistics network, to control the Polish operation from its headquarters in Lisbon, even if that meant dealing with normal constraints such as language and lack of support at the cargo's destination. This was how MRM operated in any market which was not its core and was a straightforward way out by striking a deal with an agent in Poland. Moving the operations to Portugal made it much less costly to maintain their customers and was favored by Afonso to keep some of the volume without wasting the cost of those years of operation and personal involvement in the Polish market.

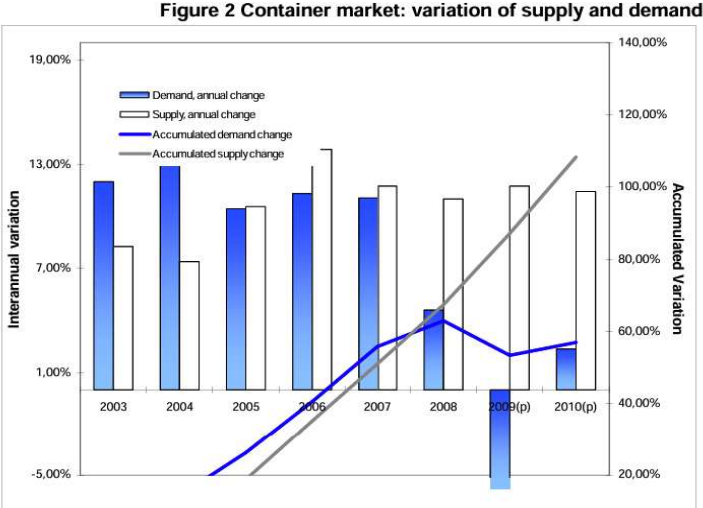
On the other hand, leaving Poland would make it impossible to recover BDRK, a major client. Also closing the branch would be a liability for the firm's image and could damage its credibility with some clients, leading to a loss of volume.

Both these options had something in common. MRM was not leaving Poland completely, trying to capitalize on the investment made and retaining as much business as possible from the years spent in the market. The company was already recovering its regular maritime routes and other revenue streams were growing again, such as the Asian market through air cargo. However, instability was still a reality in Europe and Afonso was worried about the possibility of the recession in Portugal lasting longer than expected, making the sector drop yet again.

The financial environment was very unstable and either option had its pros and cons. "These are times when decisions must be made and there is no clear answer. The world is quickly reacting, and we must do the same," said Afonso. The situation in Poland was worsening and his employee was already scared for his job, creating a negative impact in the way he was managing the clients. The decision could not be postponed anymore. "Should I close the Polish branch?" was the question that buzzed in Afonso's head.

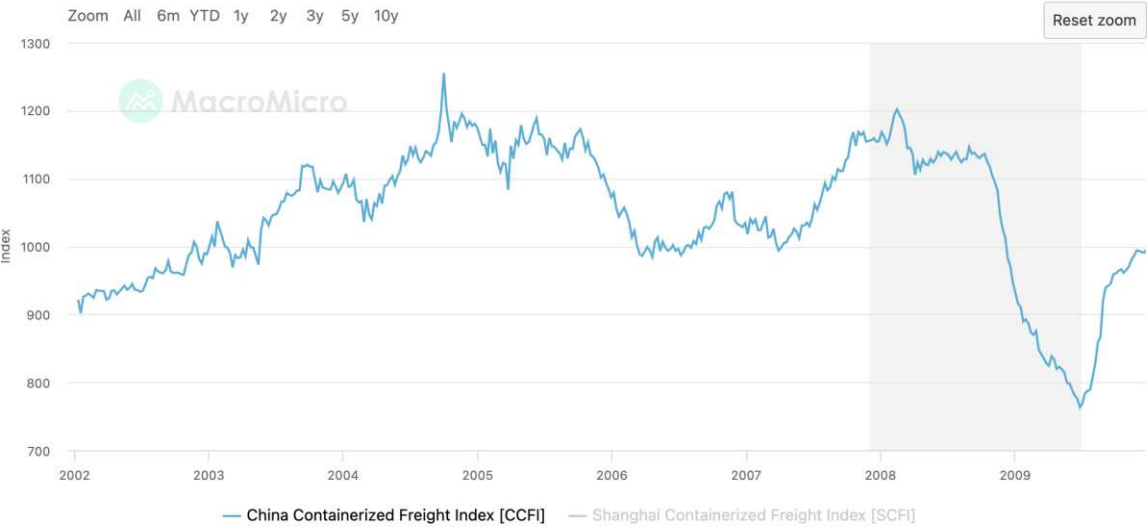
Exhibits

Exhibit 1: Supply and demand in the maritime transport sector



Source: Ricardo J Sanchez and Maricel Ulloa, UNECLAC

Exhibit 2: China Containerized Freight Index, during the 2008/2009 crisis



Source: MacroMicro, accessed on the 8th of March of 2025

Literature Review

In this section key topics for the issues raised by the Case Study above will be addressed. Topics to be reviewed are:

1. The market for freight forwarding
2. Risks of high customer concentration
3. Internationalization

These points will help to identify strategic alternatives in the Teaching Note.

1. The market for freight forwarding

Freight forwarding dates to the 15th century with the globalization of trade routes and the need to create efficiencies for merchants willing to sell their goods overseas. In this context, there was the figure of the freight forwarder who mediated the packing, storage, transport, and routes. Commodities production started to increase and there was high development of trade routes and the need to use different types of transport, which sometimes consisted in carrying the goods to the nearest port and shipping them by sea, for example, using the freight forwarder as a figure of a buyer, who would ship at the true buyer's expense (Skiba & Karaś, 2022).

Several years later, shippers still outsource their transports to freight forwarders, who ensure, along with carriers, that goods arrive safe and secure from their origin to the destination. Freight forwarders link shippers (supply side) and buyers (demand side), guaranteeing efficiency and control over supply chains. According to Transport Intelligence Ltd (2016) the market is heavily concentrated and sixty percent of it is controlled by the top twenty forwarders.

The freight forwarder's main activity is dealing with the bureaucratic part of shipments, such as customs, regulations, and documentation. With the activity evolving, freight forwarders started incorporating other activities to integrate into their clients' supply chain on both the supply and demand side such as packing, distribution, storage and transporting at the last mile or to the loading/unloading locations (Subhashini & Preetha, 2018).

According to Subhashini & Preetha (2018) freight forwarders are chosen for the better deal, but the quality of their service is what determines the loyalty the client will have to him. Quality of service means a cost-efficient supply chain, heavily effective with stress-free service and flexibility. According to Skiba & Karaś (2022), the freight forwarder is the brain of the transport

process and should be well versed in the whole market, knowing all solutions available, client's needs, individualizing, coordinating, and managing the whole transport of predetermined goods from point A to point B.

1.1 Multimodal transportation

Multimodal transportation has taken a pivotal role in freight forwarding as ports used to be used for their proximity and now are competing due to supply chains assuming the same simplified structure: inland transport from factory to port (usually rail or truck), port to port sea transportation and port to warehouse inland transport (van Hassel et al., 2016).

Multimodal transportation is the answer to the needs of today's supply chains. It is defined as a transportation which includes faultless transportation via two or more means (road, sea, rail, aerial, etc.) It optimizes transport and ensures cargo transports are all integrated, resulting in a lower transit time, better cost efficiency and safety (Hao & Yue, 2016).

Transportation now includes transshipment ports, where cargo changes vessels, as, due to the globalization of trade, goods are being transported all over the world, and thus, transshipment ports are evaluated for their capacity to receive big vessels, handling costs, and proximity to inland destinations, reducing the costs associated with the whole chain (van Hassel et al., 2016).

According to Foong et al. (2022) intermodal terminals have been put in place in major transshipment hubs, allowing to easily transport cargoes using all means mentioned above. Intermodal hubs are sensible to their geographical location, level of technological developments and infrastructures, reducing bottlenecks and allowing for a smooth integration of all transportation means.

All of these factors are now in place for the modern freight forwarder to step up and plan the most efficient and less costly transportation, with the best transit time and ensuring safety of cargoes as intermodal transportation normally insures cargo from door to door, as risk transfers from seller to buyer depending on the incoterm chosen to transport the goods. Incoterms (international commercial terms) were created by the International Chamber of Commerce to harmonize trades globally, as a global standard language to define where do costs, risks and obligations lie, also influencing the modes of transportation chosen (Davis & Vogt, 2022; Fahmy, 2019; Sheikh et al., 2024; Vogt & Davis, 2020).

1.2 Digital freight forwarding

According to Herold et al. (2023) Digital freight forwarders are start-ups who use a digital platform, digitizing communication and distribution systems to connect all parties involved and the whole supply chain, creating value in ways traditional freight forwarders cannot provide, easing market access and lowering costs by providing on-demand digital solutions, with high cost-efficiency and in real time.

Traditional freight forwarders, who face high operational costs due to their existing infrastructure with maintenance and development of new warehouses, etc. are challenged by fully digitalized companies, who offer the same services, but without the ownership costs of all assets and capacity and backed by external providers (Dietrich & Fiege, 2017). Using data manipulation, artificial intelligence and machine learning processes, digital freight forwarders are quoting, booking, tracking and giving options for different equipment, hubs without all the physical support structures and ownership costs traditional freight forwarders have. Traditional freight forwarders are still developing digitally, and many still use legacy systems, which makes them less likely to offer the best prices due to inefficiencies (Herold et al., 2023).

2. Risks of high customer concentration

Customers are regarded as the company's main stakeholders and main sources of income and are so important that suppliers often manipulate earnings to prove their stabilization to comply with customer's prerequisites (Zhu et al., 2024). It is frequent to see a firm's sales being highly comprised of a small selection of customers, or, to put it another way, to see a firm with high concentration (Cao et al., 2021). Customer concentration calculates how a firm's revenue is distributed across their customers and high concentration is verified when a customer has a larger than usual percentage of revenue share of a determined firm (Do et al., 2023).

According to Do et al. (2023) customers who achieve a large share of revenues from their suppliers have large resources and their stabilization augments the capacity of sales prediction of a firm. This attracts investment to the firm and raises confidence in their revenues.

Having sturdy connections with a small number of customers might come with benefits but could also be negative to a firm's structure (Saboo et al., 2017). According to van Raaij et al. (2003) not having a large and varied customer base can lead managers to have less decision paths when it comes to manage costs, risks and strategy of the firm. This can also decrease the

bargaining power of the firm, proportionally increasing the power of the customer in negotiations, and possibly leading to churn, affecting the whole firm, who is relying on a very small customer base (Zhang, 2021). According to M. E. Porter (1980) the bargaining power of a firm over its customer base influences the firm's faculty of capturing value. However, the number of relationships to be established within a firm with this type of customer base means more resources can be invested in these large customers, decreasing the probability to churn and increasing the customer's allegiance (Morgan & Hunt, 1994).

These relationships can origin sizeable and constant incomes, further developing relationships, coordination and feedback flows between the firm and the customer (Patatoukas, 2011). When a firm is highly dependant of their largest customers, which happens in cases of high concentration (Dhaliwal et al., 2015), this means more of the firm's intrinsecal departments such as sales, marketing, research and development, accounting and operations will be on an uncertainty position (Zhong et al., 2021). If the customer churns or is placed in a lesser financial position, this can mean a decrease in the firm's profit and loss of future sales with already sunken capital due to the investment on the relationship, setting the firm at risk (Hui et al., 2018). Ahsan et al. (2023) argue that the high concentration of customers is correlated with lower sales and profit margins, as well as with firms' lack of production efficiency and poor operations. It is also stated that companies with highly concentrated customer bases try to compensate for the risks taken by reducing other risks, usually coming from expansion or innovation. This is also sustained by Cao et al. (2021), that find that the higher the customer concentration, the lower the risk firms are willing to take.

According to Saboo et al. (2017) a high level of customer concentration means the firm is dependant of less customers, or even one larger customer for their revenue stream. If this customer base churns, the whole activity is severely damaged. Literature shows this reliance augments the firm's exposure to payment delays and less bargaining power, which can lead to lower profit margins (Murfin & Njoroge, 2015). Forecasting mistakes also tend to be abnormal, which leads to loss of sales or surplus of inventory (Chopra & Sodhi, 2004). The firm will also be very exposed to the customer's financial situation, with the risk of customer bankruptcies (Cao et al., 2021).

In their studies, Rehman et al. (2024) stated that highly concentrated firms can be sluggish to leverage financially, which is negative to stakeholders. These firms have high financing costs (Cen et al., 2016) affecting the cost of debt borrowing (Zhu et al., 2024) and their speed of

adjustment (Campello & Gao, 2017). Having a dependence relationship where the supplier relies as much on the customer as the customer on the supplier to operate can accelerate the speed of leverage adjustment, with the customer depending in the supplier's product to succeed (Irvine et al., 2015).

As already stated there a risk of not receiving outstanding amounts in case the customer bankrupts and also the loss of future sales. The weak financial position of the customer can result in also not being able to comply with obligations with other customers, furthering the loss of future sales. Customers are in a position of cruciality to the firm's operations, profits (Song & Wang, 2019) and also influence strategic decision-making (Oliveira et al., 2017). As a firm deepens their customer's concentration, they also increase their dependence, making it very difficult to find short-term alternatives to these relationships. Losing such a customer can be detrimental to a firm's revenues (Campello & Gao, 2017). Firms have then to be mindful of the consequences of high customer concentration to their business. This can also influence a firm's capacity to innovate according to studies. Zhou et al. (2019) defended that the relationship between a firm and a highly concentrated customer has a negative result, as it weakens their demand for innovation, reducing their investment. On the other hand Krolkowski & Yuan (2017), albeit supporting this disinvestment due to strong customer bargaining power creating hold-up problems in some cases, found that the strong relationship developed between the firm and its customer and high switching costs can lead to higher investment in innovation. Shen et al. (2018) propose a balanced answer where the relationship is nonlinear and U-shaped. When the customer's bargaining power is weak with lower levels of cash holding, and their supply chain is highly integrated, the firm is shown to invest more in innovation.

3. Internationalization

One of the designations of internationalization is "the process of increasing involvement in international operations" (Welch, S., L. & Luostarinen, R., 1988).

Internationalization should be made by SMEs with the lowest risk and highest engagement possible (Lu & Beamish, 2006).

A certain skillset is desired for international ventures such as information absorption skills and market insights (Oviatt & McDougall, 2005), as this knowledge and the relationship with the client are crucial to the internationalization process (Keupp & Gassmann, 2009).

The process of internationalization is demanding and there are ordeals to adapt to a unfamiliar market. There are massive sunk costs involved in setting up operations in a foreign country, which is a big barrier, and firms should have time to collect appropriate know-how before incurring in such investments (Aharoni, 1966).

The Theories of Foreign Direct Investment show there are shortcomings for overseas firms competing with local firms, such as:

- Prejudice from customers, suppliers, agents, local employees, etc.;
- Currency exchange rate risks, influencing profit and operation;
- Disparities between business, economic, social, political, technological, legal environment and also language barriers (Stephen & Hymer, 1960).

From one angle, internationalization can be seen through the Big Step Hypothesis, which states this is not a continuous process, but one fueled by a primary major step (Pedersen & Shaver, 2011). This step is related with the personal and financial investment made in the move, which are the above mentioned sunk costs and should provide robust foundations for managing the overseas operations. The big step is supposed to be taken just one time when moving to a foreign country, as the it should be the basis to other internationalization moves.

Other angle is that the practice of commencing ventures in a foreign country is progressive and directly correlated with the amount of tentative knowledge. The knowledge emerging from experiencing the operation is essential to learn, with scarce information on a firm's first endeavor abroad due to deficient contact with the market (Johanson & Vahlne, 1977; Bilkey & Tesar, 1977). This knowledge can mainly be acquired through practical, hands on operational experience (Forsgren & Johanson, 2014).

According to Oviatt & McDougall (1994) a crucial element for internationalization is the strategic partnerships that firms establish to effectively apply their expertise in foreign markets. These partnerships enable companies gain market knowledge, and enhance their competitive advantage. Furthermore, international networks play a vital role in identifying new business opportunities, securing necessary resources and mitigating the risks and uncertainties inherent to international expansion. Fostering sturdy relationships with stakeholders, firms can steer through complex foreign environments improving their chances of success (Liesch et al., 2011).

SMEs that are growth oriented have bigger tendency to internationalize, showing SMEs have the objective to grow outside their national market, as argued by (Moen et al., 2016). The past experiences of managers is also an element influencing their internationalization's efforts success (Reuber & Fischer, 1997).

SMEs are said to have low chances to go international as according to Samiee & Walters (1990) who consider the larger the company the larger their business abroad is. Larger firms have more resources, financial and managerial, allowing them to expand their competitive advantage and identify openings in comparison to smaller firms. This is enlarged through their economies of scale which diminish the barrier to entrance (Wagner, 1995). However, Calof (1994) states the firm's size may not be a good prognosticator of how it will execute its operations in a foreign market, although other authors argue that larger firms have higher likelihood of succeeding when developing international markets (Cavusgil & Nevin, 1981).

The past experience of managers can be measured through their living experience abroad, travels and number of languages he/she speaks (Miesenbock, 1988). The literature not only investigated the founder or CEO's experience but also the whole C-Level and their acquaintance with the markets the firm is exploring (Reger et al., 1997). Literature argues this experience gives the firm a predisposition to internationalization (Oviatt & McDougall, 1994) due to the stimulus gained through it, it also supports the firm in augmenting the firm's engagement, reducing the interval and costs needed to go international (Sapienza et al., 2006).

Most SMEs are born national companies and then pass through the internationalization process but some firms are born already international, what we should call International New Ventures (INV) (UNCTAD, 1993). INVs are a consequence of international networks of firms (Johanson & Vahlne, 1990). The reduction of costs and digitalization increased the quantity of INVs (Ōmae, 1991), a change motivated by transnational firms allying with smaller firms to substitute high investments made on formerly integrated departments (Dunning, 1995). This could mean such firms were highly dependent of these big firms. However, the literature suggests this is not the case, but in fact most firms continue independent (Phillips McDougall et al., 1994; Schrader, 1996). On the other hand, these firms also managed the risks involved with the internationalization process carefully through their strategies. The strategy's aggressiveness should be inversely correlated with the risk of entering the specific foreign market, having in consideration their currency, political and business environment. A firm entering a stable

country, favorable to their operations, can be more aggressive on their entrance strategy (Schrader, 1996).

Due to their size, SMEs need to insert themselves in the international market and trade fairs are now further focused in specific industries so there is an accurate target for heightened efficacy (Bonoma & Shapiro, 1983). Trade fairs can also be pivotal moments for a firm's internationalization with positive outcomes for firms undergoing that process (Wilkinson & Brouthers, 2000). Trade fairs are shown to be strategic platforms for cultivating a global outlook, enhancing comprehensive market intelligence, and fostering meaningful relationships with prospective business partners, thereby facilitating long-term growth and international collaboration (Motwani et al., 1992).

Porter's Diamond (M. E. Porter, 1990) suggests that whilst every firm has its own strategy, the character and trajectory of successful firms is the same, based on innovation. Companies who operate in markets following the determinants of the Diamond Model can have better strategic positioning and drive innovation, ultimately having long-term success in their international endeavors.

Porter's Diamond Model determinants are:

- Factor Conditions: The nation's position related to factors of production such as skilled human capital, infrastructures and capital resources.
- Demand Conditions: Sophisticated and demanding customers compel firms to improve quality and have a good service.
- Related and Supporting Industries: Competitive advantage is strengthened if firms have support and good relationships with strong local partners, fostering knowledge sharing and efficiency improvements.
- Firm strategy, Structure and Rivalry: How firms are structured, managed and how they compete relate to their ability to innovate.

Porter also mentions two more external factors:

- Governmental policies: Policies regarding regulation and competition can render a nation more competitive.
- Chance events: Unpredictable events such as technological breakthroughs or geopolitical shifts can disrupt or enhance competitive advantages.

According to this theory, companies who can leverage the competitive advantage that make them successful in their core markets, which should be competitive, are better prepared to handle international expansion, as they have already faced pressure to innovate and improve their efficiency. If the nation the company is expanding into has the Diamond's Model four determinants interacting, it fosters innovation, high-quality service and competitiveness. By having strong demand conditions in their core markets, good partner networks, effective strategies, strong leadership and a culture of continuous improvement, allied to favorable government policies, companies are able to sustain their competitive advantage and reach long-term success.

However, Porter's Diamond has been critiqued by literature, with Dunning (1993) noting that Porter's model has an assumption of a strong domestic market, not taking in consideration multinational companies gaining competitive advantage from global operations and Chang Moon et al. (1998) also stating Porter did not incorporate multinational activities, proposing a double diamond model with one diamond factoring the home country activities and the other the international activity.

Tinbergen (1963) developed the Gravity Model of Trade, which is used to analyze and predict international trade patterns, which can help companies decide on which markets to expand to. The model suggests that the volume of trade between two countries is influenced primarily by their economic size and geographical distance. It defends larger economies provide more opportunities for businesses as the market is characterized by higher demand and stronger purchasing power, and that the geographical proximity allows to reduce transportation costs, logistical complexities and market entry barriers. The model had empirical success but was deemed limited, and some scholars such as Deardorff (1998) and Head & Mayer (2014) have created deviations of the gravity equation considering factors as language, shared borders, trade agreements and historical ties.

The model was deemed limited and was critiqued by literature. Ghemawat (2001) created the CAGE framework analyzing more than the economic factors, and taking in consideration multiple forms of distance which can affect international business activities, dividing them in four dimensions: Cultural, Administrative, Geographic, and Economic (CAGE):

- Cultural distance, as the name suggests, refers to differences in the countries culture', taking into account factors such as language barriers, ethnic backgrounds, social norms

and values. This can affect the firm's product shaping, communication style and negotiation process. Cultural distance can be the cause for misunderstandings, reducing trust and increasing transaction costs.

- Administrative distance relates to political, legal and institutional differences. It factors in historical ties, trade agreements, governmental policies, legal frameworks as enablers or detractors of a firm's entry in the market. The existence of tariffs, protectionist policies, regulatory restrictions and political instability can also be barriers to entrance.
- Geographical distance can be a barrier due to transportation infrastructures, time zone differences and physical separation. These factors directly affect logistics and supply chains. Physical distance impacts specially businesses relying in perishable goods with high transportation costs.
- Economic distance concerns differences in income levels, labor costs, customer purchasing power and economic development. When markets face high economic disparities businesses usually have to adapt their pricing, offerings and operational models. Firms also may need to account for variation in sophistication, financial infrastructure and local productions capabilities to ensure a successful entry and long-term profitability.

The author argues that distance is a multidimensional factor that cannot be overlooked when analyzing an international market's potential. This framework is a decision-making tool to assess international opportunities. Firms that use this framework can avert strategic misalignments, increased costs and be more competitive, adapting their operations and anticipating challenges.

Conclusion

This literature review delved into three areas of research, showcasing the knowledge of how the freight forwarding industry works and its advancements, how high customer concentration can affect firms and methods for firms to internationalize.

For the freight forwarding industry, its evolution due to globalization, technological breakthroughs and growing complexity of supply chains was studied. Literature also delved on the service and price competitiveness of the industry, whilst new freight forwarding methods erupted like multimodal and digital freight forwarding making companies have to innovate to maintain their competitive advantages.

Regarding high customer concentration, risks were explored, displaying how a high dependency of one customer can affect a firm's bargaining power and place them in a vulnerable position reinforcing a firm's need to diversify its portfolio and reduce risks. However, some literature also defended that a close relationship between companies can foster innovation.

Finally, for internationalization, how a firm can have long-term success and sustainable competitive advantage in its international ventures was investigated and what can be the motivations for this expansion. Literature also helped understand how challenging this process can be, and how critical the experience of the management team and acquaintance with the market can be to internationalization. Other topics explored were the key success factors for a SME's international expansion and how to choose the correct market to expand to maximize success and reduce risks.

Teaching Note

Synopsis

Afonso Ramos founded MRM in late 1993 in Lisbon, Portugal as a freight forwarder to fulfill his dream of having his own firm and also to seize an opportunity in the Angolan market. Afonso had already previous experience working for freight forwarders and left one of the major local players in the PALOPs market to fund his own firm. He already had a good client portfolio and even if the Angolan market was his gateway into the business, he had plans to expand and recover clients he left at his old firm.

MRM started with a regular contract from Portugal to Angola and soon developed to recover Afonso's clients from the Cabo Verdean, Guiné-Bissau and Canary Islands market as Angola had a political breakdown and jeopardized his business. Afonso was a trustworthy partner and had all the experience needed to provide a good and regular service to his clients.

The business grew in a stable manner until the end of the 2000s, when austerity and a decrease on the global economy hit MRM's operations, heavily decreasing their turnover. MRM's competitive advantage was the firm's position as a multimodal freight forwarder, capable of handling additional business beyond its core maritime lines to MRM's main markets. MRM already had some projects within other businesses like road and rail transportation but since the market was decreasing, MRM was also being squeezed around by his competitors, multinational Portuguese and Spanish freight forwarders with high margins, experience and well connected within the industry. MRM was searching a new business, and came across a possible contract with a Polish road cargo company and regular exports from Portugal to Poland. The client was a Portuguese company operating in Poland. MRM then expanded to Poland with this contract locked and with some smaller companies also exporting with them, setting up operations there. The price of the exported milk increased and the core business leading MRM to Poland was at risk, as its profitability was severely hurt. The Polish branch had sunk costs involved, and MRM's core business was regaining its momentum.

Afonso had a strategic issue at hands. This situation had some possible outcomes, as MRM might leave the Polish market and refocus on its core business, arranging for an agent in Poland, closing the branch and maintaining the businesses already present there through their operations in Portugal. The other option was to maintain the branch, hoping the company could recover its key client and the investment made.

Learning Objectives

This case can be utilized in strategic management programs. MRM's dilemma raises two main topics to delve into:

- High customer concentration issues
- Internationalization

In the first topic, instructors and students can address the risks associated with firms having highly concentrated customers, learning how to avoid or counter the strategic problems which arise from such situations.

On the topic of internationalization, instructors and students might find thought-provoking to examine how a SME can approach new markets with their specific environments and competitive landscape and how a firm can gain competitive advantage over its peers by measuring risks and seizing the best from their management previous experiences and expertise.

Assignment Questions

The following questions are suggested in order to help students prepare for the in-class discussion:

- How did entering a market relying in a highly concentrated customer affected MRM's operations?
- From a strategic perspective, what unique advantages distinguish MRM from its competitors?
- If you were the CEO of MRM, what strategic course of action would you take, and why do you believe it would be the most effective option for the company's long-term success?

Class Plan

1. What are the key success factors in the industry MRM operates in?
2. Evaluate MRM's strategy.
3. What were the main reasons for the problems MRM faced in Poland?

4. What are the critical challenges MRM has to deal with in the Polish market?
5. What are the alternatives for the company?
6. What are your recommendations for the management of MRM?

Analysis

1. What are the key success factors in the industry MRM operates in?

The freight forwarding industry aims to provide supply chain services to customers, namely cargo consolidation, transportation, customs clearance and delivery, enabling exporting and importing firms to safely export or import products. This industry is composed by big multinational players which are capable of any type of transportation and are usually well connected to the biggest carriers. However, there is also space for a high competitive environment of smaller companies who specialize in niche markets, being able to provide a remarkable service at a premium cost, but minimising risk to the customers through personalised customer support, enabling them to lock in big contracts or projects which require extra attention. So, according to the abovementioned, there is space for different strategies and player sizes in the industry, also making the market very competitive, which means companies need a strong and sustainable competitive advantage.

One of the critical success factors for this industry is strong knowledge of local markets, allowing firms to always know big contracts and projects up for grabs and locking them in. For smaller firms, just one of these contracts can mean a good enough revenue stream to keep them profitable, also enhancing their brand's position in the market and enabling them to search for bigger projects within specific industries. As an example, MRM was known to provide regular routes for food commodities such as milk, which need special treatment and have food grade requirements to guarantee the quality of the product, which was one the reasons they closed a deal with BDRK in the first place.

Another one is having the right partners. Freight forwarders can provide good service, but they are only a facilitator or a third party, between their client and the actual carriers. For this reason, a freight forwarder should always be backed on a regular route by partners who can provide the services needed for the transport at the correct price. This is an industry with low margins, and with old bonds between companies. If a freight forwarder is not able to be supported by specific carriers that match the requirements for the commodities their client

will be moving, they will neither have the price nor the service needed to fulfill their customers' needs. A freight forwarder who does work exclusively with one partner in a route may also benefit of juggling multiple carriers, expanding their services' possibilities, and ensuring the door will always be open for business with those partners.

What is applied to partners is also applied to customers. One of the characteristics of the freight forwarding industry is being able to serve multiple industries and customers. Most freight forwarders have key clients for the services they specialize on. However, it is also important to expand their base, being able to diversify the types of customers they have and who can work with different suppliers. In this sense, it is also crucial to have a larger customer base, even if you have clients sharing their business with the competition, as the company will reduce their volatility and be able to quickly address any reduction in revenues driven by the disappearance of a large customer. MRM, for instance, was heavily dependent of BDRK and their Polish branch was endangered after the commodity they imported was no longer profitable for their customer.

The freight forwarding industry, on niche markets in which smaller firms operate, is composed of many family businesses and with very old ties to their customers and partners, so the experience of the management and their employees is highly regarded. Having well connected and operationally strong employees, and management with ties to the customer's decision makers means more loyal customers.

2. Evaluate MRM's strategy

MRM opened its Polish branch following a differentiation strategy. The company had a clear powerful customer and local support. The customer was also Portuguese and was looking for a firm with knowledge of both markets and experienced in freight forwarding.

MRM, being a multimodal freight forwarder, capable of juggling multiple transportation methods, had a very personalized service and close customer support, characteristics which were their strengths in this business. They also had a smaller customer base in Poland and were looking to expand it, although their move was mainly related with the contract made with BDRK.

After analyzing MRM's entrance in the Polish market, we can affirm the firm was following a differentiation strategy, contrary to their competitors, larger firms who were following a cost

based strategy, not capable of providing such high quality service. By positioning themselves with an high service and customer support, but trying to appeal to a number of firms outside their portfolio, MRM tried to offer value following this strategy. Selecting this tailormade approach, the company wanted to provide a service customers valued, fighting against multinationals that have low cost but do not offer in depth knowledge of their customers' businesses, which is a unique trait for the freight forwarding industry. This does not qualify as a differentiation focus as MRM's goal was always to capture more market than BDRK, by having the market recognize its brand and charging a premium to customers, but promising efficient and personalized ways of working. On the other hand, one can argue MRM should have had a broader scope from the beginning, allowing them to be less exposed to BDRK.

However, relying on revenues highly concentrated on one customer had risks to MRM's position, with BDRK accounting for over 80% of the firm's revenue in Poland, according to company data, leaving MRM exposed to BDRK's success and also to the price of the commodity transported, which deemed the business as profitable for their customer. Moving fast and investing in local offices, employees and allocating resources to ensure optimal customer support to this large customer meant high sunk costs and high customer dependency. This also reduced their bargaining force in relation to BDRK, which is not ideal in a differentiation position, where you want to price a premium for your unique service.

MRM had good ties with BDRK, and ensured a good service, slowly capturing smaller customers to dilute the customer base concentration. Although the firm entered the market with a well thought out strategy, they faced high risks due to an high investment to enter and their dependency on a large customer, whose business was exposed to external factors like the milk's price, making MRM's position in the market in peril and vulnerable. In my opinion, MRM was not careful enough when entering Poland, as the risk was not controlled enough, thus resulting in the fragile situation where Afonso has to decide to keep the branch open or not. There were too many externalities affecting the deal to make such a big investment.

3. What were the main reasons for the problems MRM faced in Poland?

MRM entered the Polish market in 2009 following a contract with a big customer. Although Afonso was an experienced manager, having many years of experience entering other markets, and having markets like Cabo Verde with a spread out customer base, and others like Guiné-Bissau and São Tomé e Príncipe with a highly concentrated customer base, Afonso was forced to make a rapid decision, as this was also an escape route from the instability lived in Portugal

due to the financial crisis which affected their core market. The company was already operating in multiple markets from Portugal, and it was easy for the existing employees to adapt to a new business, which they had been doing for the past years. However, Afonso was keen in entering an European market, with a broader market which was not a characteristic of the niche PALOP markets, and opening up a new office, to prove the company could grow in the European market, where there are usually larger values at stake. Notwithstanding, the management's and the employees' experience was a massive advantage, and the resources available in Poland were not the same as the ones used to control the rest of the markets.

MRM followed a differentiation strategy, offering a very specialized service with an high quality customer service, but was very exposed to a large customer and the economic situation. The business was only possible because the milk's price in Portugal was low enough for BDRK to import the product to Poland. After Portugal was bailed out by the Troika, prices surged and the business was not attractive, leaving MRM in a very difficult position. Although their core markets were benefiting from this, the firm already invested in Poland and had a clear strategy.

After BDRK stopped importing milk, MRM turned into a cost based strategy, which was not very effective, as they were not being profitable, and were attracting customers for whom they had no expertise, which meant other companies could offer a better service at a lower price point. Even though MRM had a good service setup and an ok price, they were outside their defined strategy and were not totally comfortable working the Polish market without their main revenue stream.

Neither of the strategies was now possible due to MRM's dependency of BDRK. Afonso had high constraints on the path to take due to BDRK's share on the Polish business being detrimental to the firm's success. This position limited MRM's ability to capture value in the market, its ability for financial leverage and more importantly its bargaining power, which damaged the capacity to offer lower prices, and stopped Afonso from sustainably follow that route.

MRM knew this was not possible, as the branch was now in need of personal presence, and their core markets were beginning to ramp up again, meaning no extra resources could be allocated to the Polish market. Afonso could not afford to lose any customers in their core business, and could not travel to Poland regularly. This meant MRM, at this point, had none of the competitive advantage which was present when they expanded to Poland.

4. What are the critical challenges MRM had to deal with in the Polish market?

MRM in 2009 entered a delicate situation, with their core market starting to diminish. The entrance in Poland was sudden, after locking the contract with BDRK for the transport of milk from Portugal to Poland. A rash decision of opening a branch and investing in a new market with such a highly concentrated customer base left the firm very exposed to external risks. MRM's strategy was strong if they were to always count with BDRK, but the change in milk's price was not taken into account, which meant their initial assumption that the milk price was to remain stable was wrong, MRM's good transportation service for food products, seizing the opportunity of empty trucks from Portugal to Poland, combining a good price with a differentiated service was not a competitive advantage anymore.

Poland's choice as an alternative to their core markets when they were in a descending trajectory was enticing, not only because it was strengthening the brand abroad, but also because a big customer like BDRK could possibly unlock other big businesses. However, investing in a market without a strategy to tackle the exposure to BDRK's business was a very risky decision. In an unstable economical environment like the one lived during the expansion, the risks and exposure should be reduced to ensure the sustainability of the company's path.

The company had not enough resources nor the right partnerships to afford losing BDRK, which accounts for a difficult comeback after losing the client. The change in strategy to a cost one was not a real option as they did not have the margins, but was the only possible course of action.

5. What are the alternatives for the company?

After losing BDRK, Afonso did not want to lose the Polish market, as the potential was still there, and they now had the contacts and the expertise. He tried to find solutions to keep the market and recover the investment made. Afonso had to address the question: "Should I close the Polish branch?"

Faced with this decision, the first scenario was to move the entire Polish operation to its head office in Lisbon. Closing the branch in Poland would mean a decrease in cost, making it possible for MRM to follow a cost based strategy, as they would have the necessary margins to offer lower prices. There would be reductions in costs with offices, employees, and travel.

They would substitute the branch with a local agent, who could not give the level of local support BDRK needed, but who could handle smaller customers without any issues.

Nevertheless, this meant big customers and contracts would not be in their scope, as they were out of their comfort zone and could not offer any differentiated service anymore, losing their preferred competitive advantage and having to change their strategy entirely, diminishing the brand and reducing their pricing, although they would continue to work with a differentiation strategy in other markets.

In the second scenario, MRM would take the loss, despite its big financial investment in Poland, hoping to recover the investment made through locking another big contract with BDRK or other firm who shared small volumes of bigger businesses such as their customer whom imported wine from Portugal. It was also the first branch MRM opened out of their core markets. This loss would be covered by the growth of their core markets again, making it possible to operate in the Polish market, but the firm would maintain the brand value and their initial strategy.

In my opinion, Afonso should also consider leaving the Polish market entirely. MRM is losing its brand equity by relocating its operations to Lisbon, committing to a strategy that goes against its usual differentiation one, which has been a success in its core markets. Leaving Poland will also mean having to endure a loss in a phase where the economy is fragile and the core markets are still recovering from the financial crisis. MRM can focus again in its core markets, investing there to gain more market share and increase profitability.

A fourth option would be to find other sources of income. As stated, MRM started to have some success in big markets in Asia with air cargo. Leveraging in its ties with big freight forwarding networks, the firm could open a new department in Lisbon and train its employees to handle such cargoes. It is a big market to enter and MRM already has the expertise from many years of air cargo to the PALOP, and it is a market easily controllable from its head office in Lisbon. MRM can also count on their ties with well recognized companies in the market to grow.

6. What are your recommendations for the management of MRM?

Firstly, I would recommend Afonso to not lose focus from their core markets. MRM has decades of strong performance in their core markets. They have multiple competitive advantages, as they have good pricing but also a differentiated product, with the best carriers

and an outstanding expertise and customer service. By not exposing themselves to more risks, the firm can closely control these markets and maintain a solid business, although with less growth in sight. My advice would be to carefully assess any potential entrance into new markets, not rushing it, as their core business, even if descending, is very controlled and stable. MRM is very comfortable in these markets and can explore further business opportunities, such as new products entering the countries and new businesses being made boosted by the PALOP's economic recovery, such as project cargoes for new hotels and real estate developments.

Following this, I would decline the possibility to remain with the Polish branch. Afonso is deeply involved personally in the market and is clinging to it with growth in sight. However, damaging the company's revenue hoping for a new contract is not a stable strategy. MRM has no real competitive advantage anymore and having higher sunk costs would not benefit the business. Allocating any more resources to the market can prove in the long-term to be a liability, and Afonso could jeopardize his firm for an unsuccessful venture.

On the other hand, I believe closing the branch and moving the operations to their head office would be a good alternative. MRM's core markets are bouncing back from the financial crisis, meaning the volumes will start to grow, and their newfound expertise in the Polish market could mean they could offer a less personalized service, but at a better price, maintaining the smaller customers and adding a geography to their growing portfolio, meaning they would still have another revenue source in case the core markets take longer to go back to being stable.

Additionally, in the longer term, the learnings from expanding to the Polish market could lead Afonso to search for new markets, where MRM could enter with less risks and exposure, specifically with a less concentrated customer base. Throughout the case we mentioned the benefits of internationalization and explored the risk of high customer concentration. By taking in those learnings Afonso can leverage their expertise, partners and presence in the larger freight forwarding networks to build relationships in new markets, and expand slowly, trying to understand if there is a stable market where they can establish a customer base, and then consider opening a branch there, closing bigger contracts, even project cargo for rapid growth countries such as ones in the Middle East. By expanding with an already present customer base and with low risk and exposure, MRM can choose a differentiation strategy, with which they are comfortable, leaving the company less exposed to the fluctuations of their core markets.

Conclusion

MRM is a company who spent many years focusing in the PALOPs market, providing multimodal freight forwarding services to niche markets in Africa. After the retraction of its core markets due to the financial crisis, it decided to expand internationally to Poland, relying on one big client. However, international expansion must take into account multiple factors to ensure long-term success. Every factor should be measured to predict future situations and mitigate the risks associated with the firm's internationalization process.

When risks are consummated and challenges appear, companies should be able to take strategic decisions and react fast. This thesis showed the importance of that fast reaction, and how the expertise of the management team and a company's strategy is important to recognize such ordeals. It also was important to show the decision-making process during a crisis and how well prepared a firm should be before expanding to new international ventures.

Working in this Case Study helped me delve deeper into the freight forwarding industry in general. I was able to understand how the industry works, and how small and medium companies can prevail in a competitive landscape, by differentiating from bigger players in niche markets through tailored and high quality services and customer support.

It taught me the importance of factoring in every possibility and differences between the domestic and foreign markets and committing to a specific strategy to achieve a sustainable competitive advantage in an international market.

It also taught me how to avoid high dependency on a highly concentrated customer, and the impact of a manager's experience on company decisions. Another key takeaway is the importance of a good network of partners as a success factor in the freight forwarding industry.

If I had more time to develop this dissertation, I would have liked to study views on risk management in global logistics related with supply chain disruptions.

After finishing this Thesis, I am interested in seeing what course of action did Afonso take, and if MRM evolved positively from that decision.

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