



MAXIPRIMUS

A Balanced Strategic Course



Author: Afonso Aparício Cabral Leitão
Supervisor: Professor Nuno Cardeal

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ABSTRACT

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Author: Afonso Aparício Cabral Leitão

The presented thesis is related with a corporate strategy case study and divided in two more parts: literature review and teaching notes. All the written content serves as a teaching instrument and aims to allow students to apply strategy course matters on a real life situation.

Maxiprimus, Lda is a company operating in the ready-to-eat food industry since the year of 2001. Over 14 years this company faced several strategic challenges that indicated as a start-up can penetrate a saturated market if knowing how to deal with it. From a foreign representative to a national producer and exporter, many events marked this company's competitive evolution. As importing and selling were a short run plan, in 2006 the decision to create an own brand came to revolutionize the industry and change totally the business model. Maxiprimus developed a concept with a wide portfolio of products and services called Primus, allowing the firm to survive in the market. From here on, decisions about whether to strategically concentrate operations both in products or markets become Maxiprimus' priorities. Supplying major food distributors as SONAE, Jerónimo Martins, Makro, Leclerc or airline industry food suppliers as Cateringpor, Maxiprimus faces challenges on how to deliver the product to the customers with the highest quality and lowest cost. During the case, options that vary between decisions to establish partnerships to outsource production and distribution, how to internationalize given the company's microstructure and a possible situation of turning into a vertical integrated company are addressed. These strategic decisions allied with existing product, market, customer portfolio and internationalization are the mix for success.

The second part contains important theory necessary to interpret the case study and that should be applied when solving the proposed assignment questions in the teaching notes' section.

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I. CASE STUDY

1. OVERVIEW OF THE PORTUGUESE FOOD & BEVERAGE INDUSTRY

“Consumers expenses with food goods to eat at home are still far above from the expenses with meals outside home”¹

The national market of food and beverage grew at an average annual rate of 1.79% between 2002 and 2007.

At the beginning of 2008, this market had totalized 27 billion euros in revenues, of which 83% referred to expenditure in food goods. About 85.2% of the total sales referred to *GSM* (Gross Supply Market) and the remaining 14.8% to foodservice channel, namely: *HORECA* (Hotels, Restaurants and Catering). *Exhibit 1* shows the most consumed food products at present, by category, in Portugal.²

From 2008 until today, F&B market experienced a constant growth in opposition to other markets affected by economic crisis. The bigger retraction to spend money with expendable goods and more with essential goods is demonstrated in *Exhibit 2*, where total annual average expenditure per household is represented. Moreover, F&B products represent 15,5% of this total expenditure (*Exhibit 3*).

When it comes to the consumer, a new type emerged over the years. More informed, conscientious and health concerned, the actual consumer thinks a lot about the products functionality and quality. Along with these trends comes an exigent buyer. The price is also an important decision factor and must be carefully calculated, as the purchasing power of consumer decreased over the years. Concerning this, non-labelled products began to appear, since they are cheaper and give the same level of satisfaction than more expensive substitutes. In *Exhibit 4* it is possible to access the difference between averages prices of distribution and manufacturers brands. According to a study realized by *Hipersuper Magazine* in 2009, when choosing between the distribution or manufacturer brand, the buyer will majorly opt by the first one³.

¹ Diagnóstico de Apoio às Jornadas de Reflexão Estratégica – Sector Agro-alimentar (2014)

² Food for Thought Study (2013)

³ Hipersuper Magazine (2009)

Nonetheless, if a company combines a brand with a “gourmet” concept, probably the customer will be willing to buy it (i.e. purchase a gourmet dessert as a refinement for the weekend or special occasions).

Over the last years, Portugal featured a value added specialization compared to the European average, in various manufacturing activities related to the food industry, namely: Wine, coffee and tea, preparation and preservation of fish, animal feed, dairy products, beer and “bakery and pastry”⁴ (Exhibit 5). In 2012, Portuguese food sector represented 4.1% of national GDP, 12% of employment, 8.4% of exports and 14.4% of imports.⁵

These and other differences about important strengths and need for improvement weaknesses in the national food industry can be found in *Exhibit 6*. In *Exhibit 7* it is possible to address what are the most important export markets and notice that Spain is the first chosen market, since it represent the majority of food exports, followed by Angola.⁶

R&D and Innovation

F&B industry is expanding its activities and bringing economic wealth to the country. Companies are pursuing more competitive production processes and avoiding imports. The new consumer concept together with the need of create a healthier economy indicates that investments must be made in order to turn this market competitive, with differentiated products, optimized production processes and a balanced price-quality factor.

R&D and Innovation clusters (i.e. *Portugal Foods*, *Agro-Industrial Cluster of Ribatejo* and *InovCluster*) work for the food sector efficiency, collaborating with small and medium enterprises that want to grow, creating competitive synergies. P.F. is the most remarkable one, since it aims to promote Portuguese brands in national and international market.

In a 2020 horizon, partnerships between different institutions, such as *Portugal Foods*, Universities and small and medium companies operating in this industry may bring a significant innovation asset to the food industry⁷, specifically in sub-sectors where production technologies are more important, as it is the case of “ready-to-eat” frozen food products.

⁴ FCT, 2013

⁵ INE - Instituto Nacional de Estatística (2012)

⁶ Agro Cluster do Ribatejo -Fatores diferenciadores e de posicionamento do Cluster (2012)

⁷ Diagnóstico de Apoio às Jornadas de Reflexão Estratégica – Sector Agro-alimentar (2014)

The fragmented market of “ready-to-eat” products

This particular sector is characterized by a high number of small and micro companies, increasingly dominated by big distribution players. Being able to choose the most convenient product suppliers due to fragmentation, distribution chains (i.e. *GSM* or *Cash & Carry*'s) block the growing capacity of many SME's. So, small companies compete to be the best and get their space in big distribution shelves.

In this degree, some companies started to look to potential niche markets, playing a strategy based on differentiation and diversification with the aim of being efficient and competitive.⁸

Together with new innovative ideas whose are incubated by other entities such as Portugal Foods, also technological evolution in production allowed firms to grow and revolutionize this sub-industry. However, there is still a lot that can be done, specifically when comparing to other European countries, where concepts like big store openings selling only ready-to-eat products exist and are increasingly gaining market importance.

2. MAXIPRIMUS. AN EMERGENT COMPANY IN THE “READY-TO-EAT” FOOD INDUSTRY

"Success is not a matter of luck, we draw it. The winners have no chances, they create opportunities" (Stevenson, R., 1894)

The first concept and markets

Maxiprimus was founded in the year of 2001, when Mr António Leitão, Mr Jorge Leitão and Mr Luis Moura, besides cousins, agreed to be partners. At the very beginning, the firm started operating as a representative of foreign European companies, importing and selling food ingredients in Portugal. Small merchants and retailers were buying these products and were supplied through a rudimental distribution line. Investments in major projects were not possible due to the lack of initial financial elasticity. Thus managers realized that would be more prudent to slowly penetrate the market and gradually search for other opportunities. Any specific

⁸ MEE, A Competitividade e Internacionalização da Economia Portuguesa: Diagnóstico Prospectivo (2013)

strategic plan was being followed, since the company was figuring out what should be the best way to act.

The majority of food creations were French, Belgian, Swiss, and Danish. This last one - an innovative egg solution called *Egg Bar*, a frozen pre-sliced boiled egg packaged in bar format and produced in *DANAEG* - later turned to be a change driver for the firm. *HORECA* was the first targeted market supplied with several products coming from outside (i.e. *chocolate parfaits, crepes, egg and omelette solutions* and *frozen fruit purees* were sold to luxury hotels, such as *Ritz* and *Sheraton*). Over the first years managers were focused on making money and the easiest way was found on buying already made products.

However, they knew that in the long run Maxiprimus wouldn't get far if continuing operating like this. The business was running mostly with imports, incurring in a high level of dependence.

Company's Leveraging via two key customers

Between 2002 and 2004, the Danish egg bar called customers attention. Also, an airline-catering supplier proposed to MP an ambitious project, which represented a great opportunity to grow.

In 2002 *Ibersol Group*, which owns Pizza-Hut, KFC, Pasta Caffé and Burger King stores in Portugal, wanted the *Egg Bar* to the new pizza concept of Pizza-Hut. One year after, despite the success, *Ibersol* left the product due to an animal product epidemic that occurred in Portugal, leaving behind considerable revenue increase to MP.

In 2003, *Cateringpor*, a catering and logistics provider to the airline industry, proposed to Maxiprimus a challenging project in the soup sector: a small tailor-made soup to be served in-flight.

MP didn't have production facilities to tackle this last challenge, so they settle down an agreement with *Pascoal*, a company in the north of Portugal, which joined MP's know-how with their manufacturing experience. In February 2004, soups started to "fly".

Later in 2005, this small tailor-made soup would start to be sold to other companies, such as *McDonalds*.

Ibersol and *Cateringpor* (and later *McDonalds*) contributed to increase sales volume, customer's trust and some market exposure, bringing with it new horizons. One new and ambitious project was on the desk: the creation of a private label to represent Maxiprimus.

3. PRODUCT ORIENTED STRATEGY – PRIVATE LABEL CREATION

“After almost five years, I can say that we are well represented in HORECA. We currently have a sustainable basis for planning strategies, redefine guidelines and try to push this company to success. This can be done through strengthening HORECA’s and entering GSM and Wholesalers’. Basically, a company that should show operational revenues of at least 1 million per year.” (Leitão, A., 2005)

By January 2006, “Primus” was being registered as the official Maxiprimus trademark, indicating the beginning of a new cycle. In a first stage, managers decided to connect the brand to products of which they possess greater know-how: soups and pastry-products. The corporation left its original name *Maxiprimus, Distribuição Alimentar Lda* with the slogan “We value your time” to be named just as *Maxiprimus, Lda*, epitomized by *Primus* with the slogan “Food innovation”.

During this period, mission and vision were altered from the former statements and a strategic plan was defined. The narrowness of “importing and selling” market was not fulfilling company’s objectives, so they started to think big: *GSM* and Wholesalers (i.e. hypermarkets and cash & carry’s).

Maxiprimus decided to create a concept with a competitive portfolio of differentiated products, providing also food business consultancy to customers. It was meant to be rather than a distributor, a product developer.

Several hypermarket chains were approached, in the extent of searching for selling agreements. The concept of *“being good to have a food consultant with great products”* defined by Mr António Leitão was the sales quote for the firm. They gradually started changing from being only a representative to a “food supplying and consulting” firm.

Primus vision was to deepen and explore the unusual idea of creating a diversified portfolio with a 5th gamma concept⁹, tailor-made frozen products in individual portions and ready-to-eat, intending to strengthen or penetrate existing or new markets.

Vis-à-vis with these objectives, Mr António Leitão stated: *“What will differentiate Primus is our own recipes, “intense” products, with good texture, design and excellent flavour, using mixes of tailor-made ingredients”*.

⁹ A 5th gamma article is a food production concept, in which nothing else will be added; this is, which is usually ready to eat. In the case of chilled or frozen, the only thing that the item needs is the action of heat and it’s ready to serve

4. PRODUCT DEVELOPMENT, DIVERSIFICATION AND CORE CUSTOMERS

Products

Since 2006, MP concentrated in product development. The appearance of a new brand had to be sustained with a “revolution in the market”.

In order to overcome, in the medium and long term, the increasingly exigent demand, a search for innovative products was performed. Sometimes products leave the market shortly after they enter, but in this case business run almost always as planned, as they kept up analysing whether a product was likely to be perceived or not as new.

In the course of the first 8 years (from 2006 to 2014) a wide product portfolio was conceived. Company’s operations grew to four different production lines, not only in the desserts segment but also in bakery segment. Furthermore soups segment began to be designated as “Primus Soups” and packaged under this label. Since 2007 that soups represented more than 140 thousand euros in sales per year.

Primus first products were part of the desserts segment. The arrival of *Fondant* gamma, a small solid on the outside and liquid inside cake with French origin, which had never been commercialized in Portugal before as a ready-to-eat solution, marked the company’s first step in the market. Six *fondant* types were developed between 2006 and 2009, respectively chocolate, mocha, black&white and white chocolate, caramel and fondant pie. The sales volume of fondant gamma increased from around 56 thousand euros in 2008 to 198 thousand euros in 2014 (*Exhibit 8*).

In 2009, a *World Desserts* gamma was presented, composed by two international desserts called *Three Chocolates Parfait* and *Panna Cotta*. They represented sales of 24 thousand euros during the launching year, however 5 years later sales increased to 34 thousand per year (*Exhibit 9*). This gamma was later complemented with the appearance of the *Raspberry Cheesecake*, which boosted sales, from 34 to 38 thousand euros in 2014 (*Exhibit 10*).

In 2010, a *Traditional Portuguese* gamma arose with a pioneering concept of a Portuguese dessert: *Abade Priscos Pudding*. Unlike the fondant and world desserts gamma, this one experienced bulky sales in 2010 but decreased in subsequent years. To avoid divestments in this production line, other two products were created: *Custard Tart* and *Sweet from Heaven*. Despite custard tart sales not significant representation in revenues, the other one was responsible for an increase of 4.3 thousand euros in sales during 2014 (*Exhibit 11*).

Custard Tart was introduced with the aim of attracting external buyers, towards a possible international expansion.

In 2013, investment in product diversification was made, unveiling a new production line in the *Bakery* segment: the frozen *Madeira Caco Bread*, a product originated in Madeira Island. This change symbolized a 4% sales growth in 2013 with a smooth decrease in 2014, growing less 0,8% in sales, compared to the period before (*Exhibit 12*). However, Primus scored here something more important than revenues: diversification. Bakery, soup and dessert industries were now covered.

A total of thirteen product releases happened during 8 years, accomplishing around half a million in sales at the end of 2013. However, some of them left the market during this period, as it is the case of *mocha* and *white chocolate fondant*.

Despite of developing all products with the objective of commercializing them through Primus label, this was not always possible. Often, managers found difficult to sell with the brand to some customers. They preferred to buy to MP and sell under distribution brand. Hence, despite of supplied by MP, some products were sold in supermarket shelves under a different name. In *Exhibit 13* it is possible to see all Primus portfolio exposition.

Customers

In addition to *Cateringpor* and *McDonalds* (Primus soups buyers), *Supercor* – a supermarket chain of the Spanish group *El Corte Inglés* with 6 stores in Portugal – and *Makro*, – a Cash & Carry (C&C) Dutch group with 10 stores in Portugal were interested in buying Primus desserts. Subsequently, more interested buyers began to appear: *GSM* chains, such as *Pingo Doce* (owned by *Jerónimo Martins Group*), *Continente* (owned by *SONAE Group*) and *Jumbo* (owned by *Auchan Group*). Later, *Leclerc C&C Group*, with more than 20 stores in Portugal, also showed interested of being part of Primus customer portfolio.

Conversely, this brand was not represented in all customers' stores. Besides *El Corte Inglés*, *Makro*, *Jumbo* and *Leclerc* there are the distribution brand vendors, such as *Pingo Doce* and *Continente*, which due to its size and despite not selling Primus end up representing a considerable part of sales.

Beyond this active division, it is important to refer that, as *Continente* or *Pingo Doce* wanted to buy and sell with their own brand, *Makro* wanted partially the same. This wholesaler trades big quantities of products and since Primus packages contain between 2 to 6 individual portions of the product, MP agreed to produce special tailor-made packages that comprised 18 portions

and were sold under Makro's own brand - Horeca. Also, Maxiprimus managers accepted to sell two extra imported products especially to them, separately from Primus or Horeca production line: *Chocolate Crepes*, *"Brigadeiro" Cake* and *Sublime Cake* from the French operator *Fine Food*.

To sum up, *Primus by Maxiprimus* was considered to be a diversified and innovative food brand in three industry segments. Despite all that, Cash & Carries and GSM were mostly interested in pastry solutions, which were perceived as the firm's star products.

Additionally, other projects in product development and diversification were discussed, as the case of other *Cateringpor* proposal to Maxiprimus to help them creating a 5th gamma and tailor-made pre-cooked individual meal to serve in-flight. Making use of food consultancy services, this could bring revenue increase, more diversification and improved operations' sustainability, guaranteeing that one segment failure will not affect the whole company.

5. CONTRACT PACKER AS SUBSTITUTE FOR VERTICAL INTEGRATION

"Sixty-two per cent of all new business that fail, do so because of weak money leveraging efforts and lack of capital. In other words, many businesses fail because their owners run out of money before they start making money. The up-front expenses of building facilities can drain a small business of money." (White, R., 1977)

For Maxiprimus, a different concept seemed to be more profitable and more successful in the long run. Although the considerable revenue and profit obtained by the company since the launch of Primus, it did not ever exceed the financial amount needed to build and own production plant.

"Our volume of sales in the market doesn't give us financial elasticity to buy our own factory and hire our own employees. We would need to triplicate our revenues to make that possible. So, while we can't think about a future plant, let's think about the tools we got, and put our products in the market. Only that will probably help us to achieve a desirable cash flow that might come to sustain a possible future vertical integration." (Leitão, A., 2014)

MP managers always carefully measured big investments. With the actual annual operational revenues, a vertical integrated company with own production facilities and distribution system wasn't possible. Instead, a production through a co-packer contract (outsourced manufacturing to experienced producers) seemed more attractive.

Therefore to solve this value chain's problem, what could be better than the actual soups partner? Outsourcing their facilities to produce would make possible to assemble the products. A sharing revenue contract was perceived as better than incurring in debt to buy a factory and respective machinery.

However, trust and high production control were needed because core competences were being shared with a common producer. Raw materials were bought to suggested MP's suppliers and forwarded directly to the partner facilities.

Distribution and delivery was also outsourced. STEF, a multinational transportation group specialized in logistics management for frozen food products, was responsible for deliver all the products from the partner's to the customers.

For Maxiprimus was better to firstly care about research and development, marketing and sales management instead of also trying to produce and distribute with an Upstream-Downstream structure, which would require means to acquire production machinery and distribution fleet. This strategy allowed managers to actively learn with partners, avoiding putting them at self-risk.

In all this, a shield agreement¹⁰ between MP and the partner was missing, keeping only friendly agreements, which weren't beneficial if the partnership was broken.

Basically, starting to outsource was a way of gaining money, time and focus on what is important: development of products and customer's portfolio.

Co-packer Partners

Alongside with a food brand, came the need for manufacturing capacity. These competences were found in *Pascoal* plant. With headquartered in Oporto (Portugal), the CEO was aware of the quality and know-how MP managers had shown in the soups project and agreed that that could be a profitable business for both.

Despite of being a small step to *Pascoal*, producing with an experienced food manufacturer company was a big step towards improvement on operations for Maxiprimus, being able to respond to the increasingly demand.

¹⁰ A shield agreement is a contract between two firms where the owner of an idea or solution tells the other one that in the case of considering ending with the partnership, the producer of the idea would not be authorized to produce a similar product, unless it pays the copyright to the conceptualizer company.

Over the years the number of partnerships increased along with product and customers portfolio. Searching for capacity and risk dilution more contracts were made. Different production lines detained in different factories, both to increase efficiency and avoid an eventual total loss¹¹.

In 2007, a new contract with “*Fermenta’ O Pão*”, a specialized producer of pastry products located in Beja (Portugal) was made. In 2014 another one with *Nutriva*, a specialized producer in the bakery sector located in Poiares. Beyond *Caco Bread* production, showed interest in produce other Primus solutions.

In 2014 Maxiprimus was outsourcing production to three factories in the north, centre and south, each one formulating different products according to individual specializations. This brought stability and strategic competitiveness in the market, defined by diversification and low production costs. Still, despite profitable, a 100% outsourced production wasn’t considered totally safe due to two main reasons: the production centralization of core products (i.e. producing fondant gamma only in Pascoal facilities, compromising the production) and the lack of shield agreements, that stemmed to be a former problem regarding product imitation (i.e. possessing the “know-how” and no restriction to independently manufacture the product, a partner could end the contract without having to pay royalties).

6. COMPETITIVE ENVIRONMENT

Major companies in the food industry have been influenced by the major trends of the upstream sectors (raw materials suppliers), downstream (GSM) and changes in consumer habits. With this, Maxiprimus operates in a fragile economic industry context due to the prices of raw materials, regulatory environment for food products, economy relaxation as a result of world crisis and mainly because of an increasingly evident global competition. To achieve national and international competitiveness the investment in differentiating factors such as brand, distribution and innovation is crucial for companies’ survival and industry rivalry diminution.¹²

¹¹ A total loss is likely to happen if centralizing outsourcing in only one manufacturer.

¹² Federação das Indústrias Portuguesas Alimentares

The growing market dynamism and the demand for value added products have been creating business opportunities, which are more leverage by foreign competitors. In fact, diversification of imported products is affecting the relationship between domestic companies and the major distributors, since many food goods produced in Portugal are sold with higher costs and lower quality levels than imported ones. However, government influence is positive and strengthens national companies competitiveness, particularly in actions that focus on food suppliers, consumer protection, technological developments (R&D), environment sustainability and foreign investment when it comes to promoting the transfer of technology knowledge and access facilitation to international markets.¹³

Regarding Primus' wide portfolio of 5th gamma tailor-made ready-to-eat in individual portions was difficult for manager to specify a direct competitor, since the brand represents an innovative and differentiated concept. However several indirect can be identified in each type of specific gamma, respectively in Foundant, World Desserts, Traditional Portuguese and Bakery, namely: *Panike, Casa do Crespo, Panpor, Europastry, Fabridoce, Rolo, Small Catering Operators* and *Neoquímica* (importer).

Food products sold by these players represent a threat for each specific gamma because any of them is playing according to industry competitiveness. Still, they leave aside innovation and differentiation because any of them is a “food supplier and consultant firm”, resigning to the production of existing products to existing markets. On the other hand, the consumer is free to prefer these rather than Primus ones to satisfy the need for a ready-to-eat product, and for this reasons they must be perceived as potential substitutes.

7. FROM PRODUCT ORIENTED TO MARKET ORIENTED

To cut a long story short, Primus by Maxiprimus represented a product extension to the company. MP sought to develop an own diversified portfolio and sell it to existing and new markets, achieving a considerable competitive advantage through different strategic directions. The decision to outsource production and distribution allowed taking time advantage on improving and delivering this valuable set of products. Distribution and own brand increased

¹³ COMPETE – Programa Operacional de Factores de Competitividade

sales volume and cash flow, since it was better to sell non-Primus rather than sell nothing or pay commissions that won't probably compensate costs.

After product extension and diversification the real brand and concept were not being properly promoted. Many people knew the products but few people knew the brand.

Herewith, between 2010 and 2011 changes in organizational structure happened, with a view for a strategic plan restructuration. Mr António Leitão stepped down as CEO and Mr Jorge Leitão assumed his place. Due to his enriched network and "*savoir faire*" Mr António Leitão became the R&D Manager, The firm could now easily manage operations and search for new market opportunities, based upon diversification.

From here on, Maxiprimus replaced a product-oriented for a market-oriented strategy.

"Maxiprimus has been working to be a recognized company, which our partners often use to develop specific solutions for them. The trust in the whole production process and in our product quality is such that, increasingly, the future of this firm will pass through maintaining the product portfolio but mainly developing diversified food creations according to our clients' specifications. We need to fill some strategic edges, and beyond our products, there is a need to make our brand and our competences known in the market. This will be important for us and for our future global operations." (Leitão, J., 2014)

With this this change in strategic thinking, other cycle begins. More important issues raised and the company's top 3 activities were now investment in brand consolidation and recognition, focus on Primus exports and lastly portfolio enrichment. "*Launching one product per year is sufficient, because it creates sales boost and tells the market that we are not dead*", said Mr António Leitão.

Regardless of maintaining new product development, the problem was on Primus lack of recognition. "*During the last years, we decided to invest in the participation of Product Awards events exactly to show the market what we are doing and who we are. This arouses curiosity, making everyone wanting to know more about us*", said Mr Jorge Leitão.

Although considerable sales volume coming from customers that wanted to negotiate under specific conditions and despite financially advantageous, the distribution brands were not giving Primus market exposure. Therefore, this money began to be used to invest in brand consolidation, through financing participation in National and International Events, such as SISAB (International Agro-food Fair in Lisbon), *Product of the Year* and *Taste of the Year* competitions, *SIAL Middle East* in Abu Dhabi and *Alimentaria* in Barcelona. *Portugal Foods*, from which Primus became a member, was the bridge for the desired exposure. In addition, a

change in negotiating process started to be eminent: smoothly try to sell Primus instead of products, yet keeping the non-branded ones as before in the respective vendors. Watching Primus growing national and internationally, those distribution players selling their own brand would probably want to sell Primus as they sell *Coca-Cola*.

Distribution Brands Role

“I think that one should not produce in function of own branded representatives, but also doesn't cheapen the fact that they are our best tool for the development of other projects. If we maintain a good relationship with the places that sell our products under a different label, it may be that when we launch new ones they will be willing to sell Primus, together with the others.” (Leitão, J., 2014)

Distribution brands could not be considered as a threat, specifically because they are everywhere within a large number of products from their industry (i.e. Nestlé was the first company to start making products sold under distributors brand in some places, and today continues to be a market leader). Also, *“any company may have the possibility to sell 500 thousand with its own brand, while 2 or 3 million through other's brand”*, said Mr Jorge Leitão. For that reason Maxiprimus was able to monetize the company and get the means to invest in market expansion. For managers there is no need to try to combat this tendency, because it actually leverages the business in different perspectives and Primus needs it to promote and transform the consciousness of the market towards its identity.

8. GOING INTERNATIONAL

As part of a market-oriented strategy, international market extension was also part of the plan, and with it the likelihood of an external buyer need to see where does their client is producing. So, co-packaging agreements were less likely to please foreign companies since international customers concerned about buying a Primus product that was produced in a place other than the brand's facilities. With this, should managers worry about upcoming investments in a manufacturing plant? They were not so sure that growing sales volume would be enough for that. However, This possible investment was not totally discarded, since it was not intended to enable the entire portfolio production, but only a part of it. For Maxiprimus, a value added in

terms of certifications and regulations needed to operate in the international market would be achieved along with a differentiating element to control product quality and increase exports.

In 2012, Maxiprimus competed to be one of *Portugal Foods*' incubated companies, since there was no power for an independent international recognition. Together with Portugal Foods, Primus was represented in *SISAB*, *SIAL Middle East* and *Alimentaria* and between 2012 and 2014, these occasions allowed managers to take actions towards a future global market, enriching international's customer portfolio. Export negotiations with countries such as Spain, Belgium, Luxemburg and France, using the frozen Custard Tart as the brand's face, were settled in these events. After this, more products start being presented to potential external buyers, gradually influencing international sales volume.

In parallel with exports to the European market and also during the process of brand consolidation an interested Angolan buyer emerged - *Casa dos Frescos* - with 10 stores in Luanda interested in selling the chocolate fondant in his supermarket chain.

At the beginning of 2014, Maxiprimus accounted with a total of five export markets: Spanish, French, Belgian, Luxembourgish and Angolan.

Entering the international market was an important step for the future of this micro company. However, with this structure, the continuation of relying on partners to produce and be known internationally should be reviewed. Despite competitive, its production process composed entirely by partnerships was not likely at the eyes of international markets. As the volume of sales to other countries increased, a confrontation with strategic and structural issues emerged: the non-existence of an own factory.

To overcome this situation, strategic international alliances were seen as a possible substitute to the investment in own facilities and avoid export taxes, but with no effect.

"It depends a lot on the country we are exporting to. For example, if a big sales volume growth happens in a given country, turning exportation costs and taxes unprofitable, it is fair enough to think that we may try to look for a possible foreign local partner in that country that will be willing to collaborate with us, but we will not eliminate other payments" (Leitão, J., 2014)

This solution could bring sustainable increase in international sales volume and a gradual creation of economies of scale. But shouldn't a vertical integrated system be considered rather than co-packing national and internationally?

9. VERTICALLY INTEGRATE THE FUTURE OR CONTINUE TO PARTNER?

At the national level, with the economic crisis, Maxiprimus lost 20% of sales over 2011 and 2012, recovering 5% in 2013 and 14% during 2014.¹⁴

Over the years, Primus gained more and more exposure with national and international perspectives, always searching and diversifying, looking for new solutions to adapt to the market and respond to customers' challenges. A great knowledge-basis and a learning curve were developed throughout these years. But the future is again discussed in 2014: a possible re-allocation of production process, anticipating once again a redefinition of strategic orientation. During an interview with Mr António Leitão, he cited his future prospects for the firm, taking some considerations:

“The future passes through establish good relationships with the most recognized sellers in the market, constantly supplying them with new and innovative products made in Primus. If this happens, some other players will come and “beat us at the door” looking for products they have seen on their competitor’s shelves. Currently, around 60% of MP revenues come from HORECA and 40% from national and international super and hypermarket stores. This means that Primus will always have to be focused on developing products for these clients, since they represent virtually the total of the company’s revenues. In the near future, a balanced distribution of revenues (i.e. 30% to HORECA, 30% to GSM, 30% to export market and the remaining 10% to consultancy services) would be a perfect market condition. For that it is necessary to do everything we can and consider different strategic future possibilities. Foreign clients who buy our products, both for its quality and innovation, may want to see a Primus factory, which will represent the Portuguese company Maxiprimus that despite having its partners, also controls the quality of the product using a particular plant.”

“Made in Primus”, a futuristic strategic vector that may influence considerably the company’s structure: what if, at some point, a relocation of the production process turns to be a possibility? Let’s say, maintaining some important co-packing agreements and invest in a small manufacturing plant to better control all the processes of Primus star products to national and international market. Inside the factory, Maxiprimus will centralize a small part of manufacturing operations, partially vertical integrating the company. Despite small, a great market importance will be designated to this plant, let’s say, 30% of the production, but the core production: controlling, certificating and producing core products, maintaining the remaining activities at partner’s responsibility. The main issue is sustainability, as financial resources are scarce to turn this possible. So, the focus on the market oriented strategy will always be a must to generate resources.

¹⁴ Source: Maxiprimus

10. OUTLOOK

Primus by Maxiprimus wants to be regarded in the future as a reference in the gourmet area, with high-quality products. The future is the key, and with it prospects, objectives and “what if’s” come along.

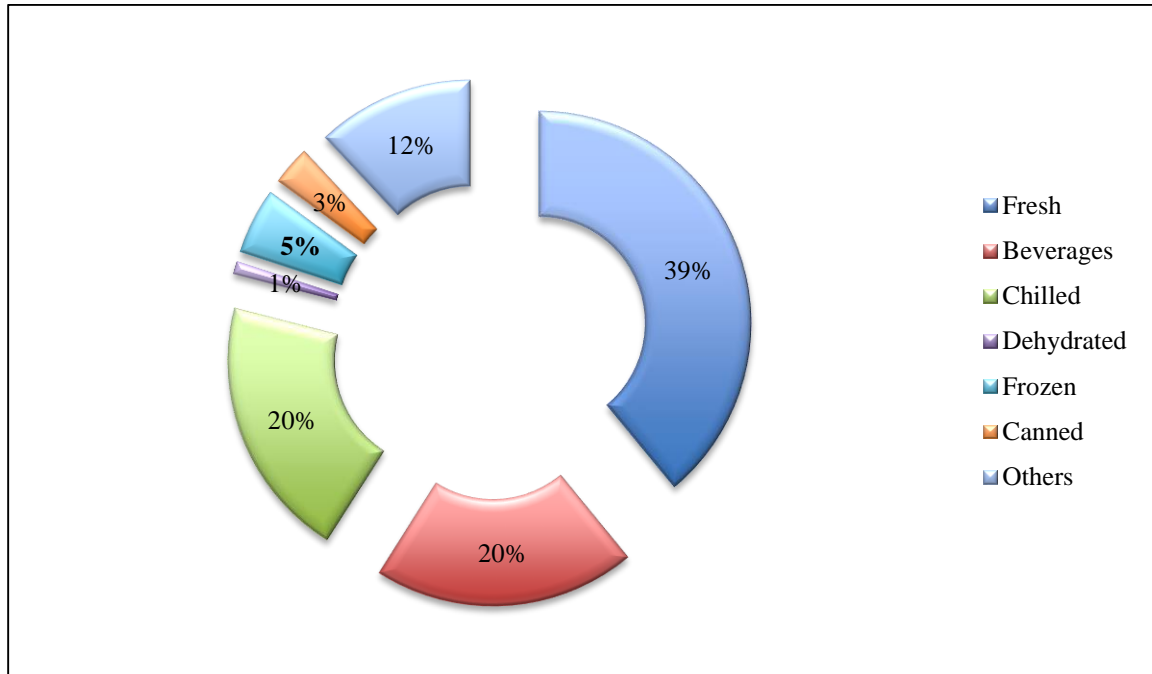
In this particular case, by being a micro structured firm, the future was always carefully planned, thinking strategically about the next step. If a bad event happened in the market, much more easily they could readapt and change to a “downsizing” strategy.

But will that continue to exist with the re-allocation of production process? The decision to invest in a factory would have necessarily to increase the amount of human resources, leaving behind this advantageous "microstructure". Also, brand strengthening and possibility to show company’s operations not only to foreign but also to national buyers can be a gain.

Therefore, how to redefine strategies? How to balance national and international future objectives? Which products have an important role in the market? Which are the future strategic markets? With whom should they partner? Which products have a more negligible role in revenues? All this to finally come up with the answer to the question: Is it possible to fund the project “Made in Primus”? Yes, it is

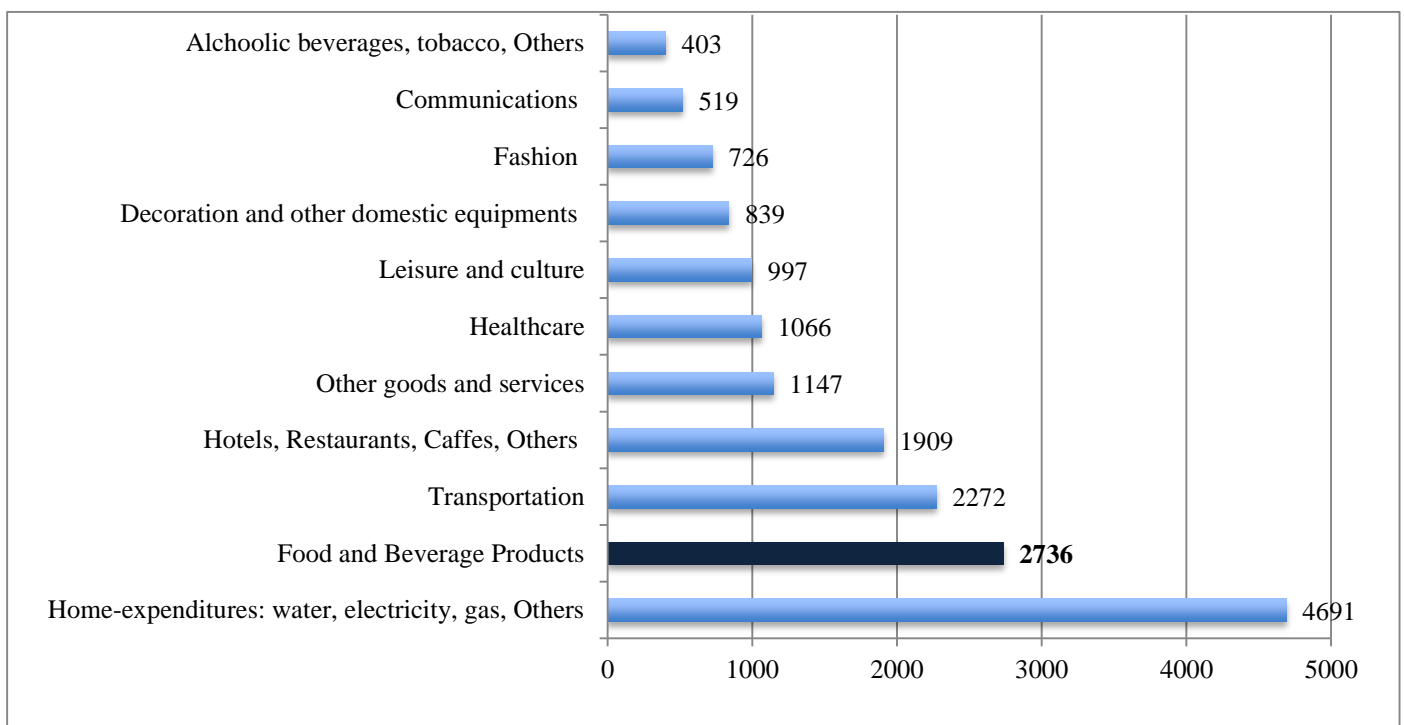
II. EXHIBITS

Exhibit 1 - Most important product categories on the Portuguese market of F&B, in % (2013)



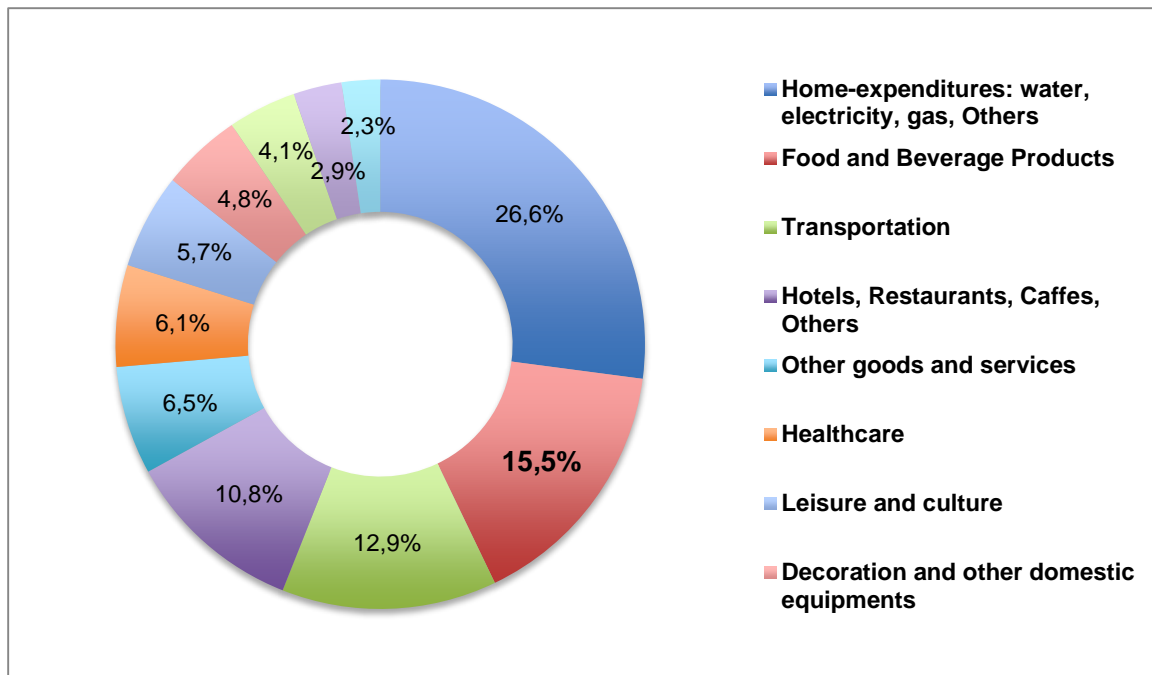
Source: AEP - Câmara de Comércio e Indústria Portuguesa

Exhibit 2 – Total Annual Average Expenditure per household, in € (2012)



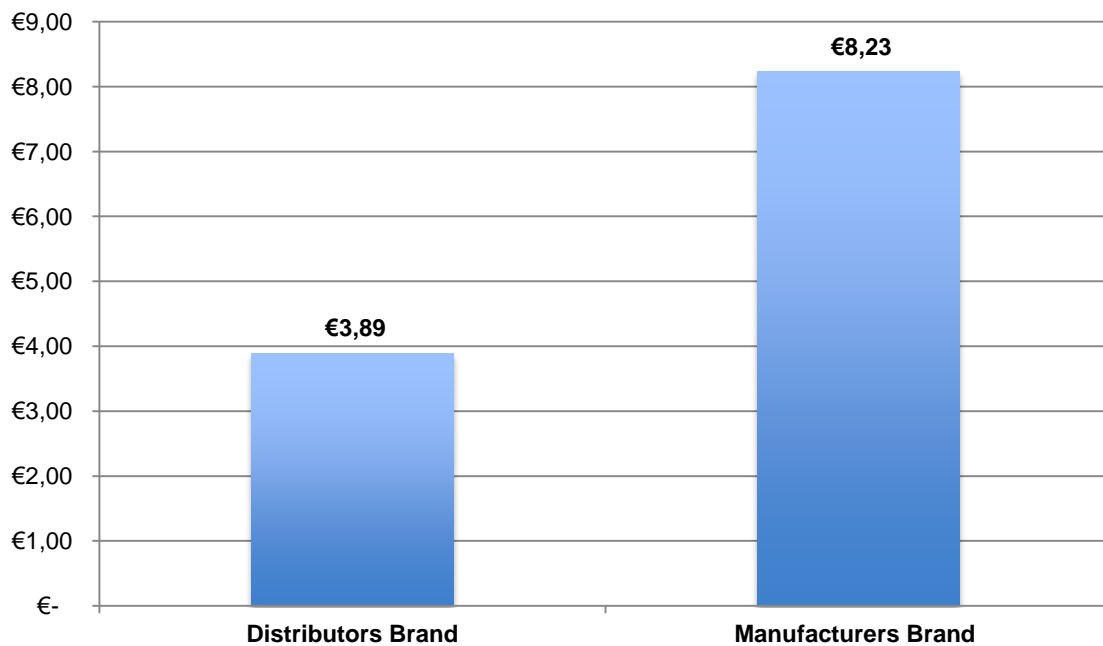
Source: INE – Instituto Nacional de Estatística

Exhibit 3 – Total average annual expenditure per household, in % (2012)



Source: INE - Instituto Nacional de Estatística

Exhibit 4 – Average price of frozen products by category, in € (2013)



Source: AEP - Câmara de Comércio e Indústria Portuguesa

Exhibit 5 – Rank of products with greater national specialization and exports potential (2012)

- **Agriculture** – fruits, vegetables, olive oil and tomato
- **Fish** – fresh fish, frozen fish, codfish industry and canned fish
- **Food Industry** – dairy, meat, cookies and biscuits, bakery and pastry, coffee, cereals
- **Beverage Industry** – mineral waters, fruit juices, beer and wine.

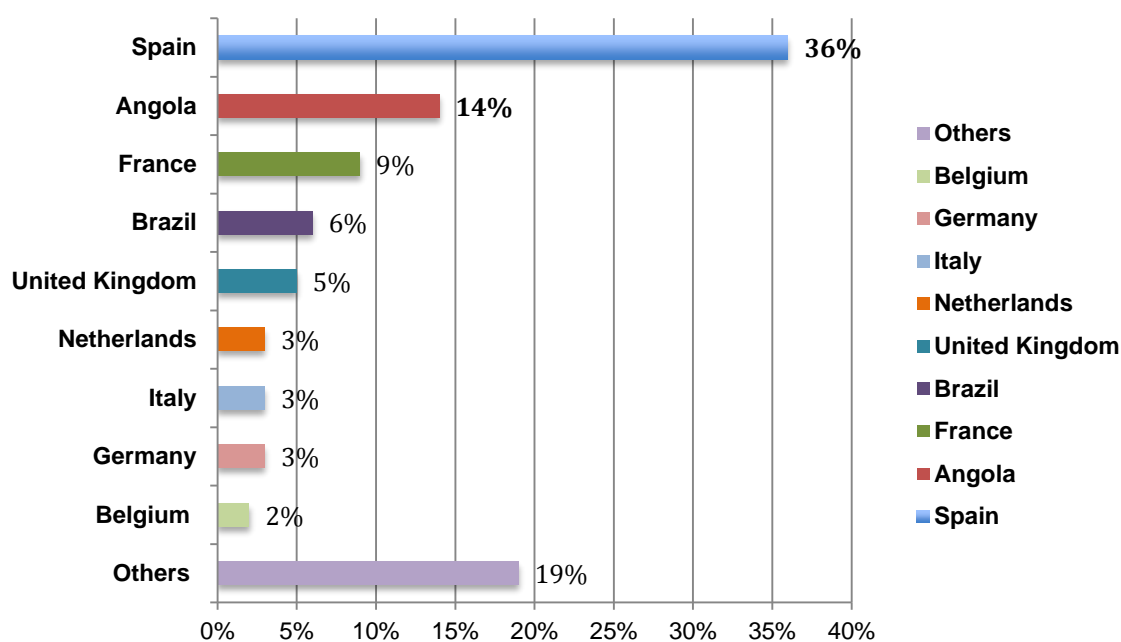
Source: Portugal Foods - Estratégia de Internacionalização do Sector Agro-alimentar

Exhibit 6 – Strengths and Weaknesses of the Food Sector, Portugal (2011)

Strengths	Weaknesses
<ul style="list-style-type: none"> • Modernization Effort • Companies' innovation capacity • New markets exploitation potential • Auto-regulation capacity • Consumer Trust 	<ul style="list-style-type: none"> • Fragmented sector • High imports dependency • Administrative barriers that stop business' dynamics • Big dependency on raw materials trade • High pressure coming from big distributors

Source: Federação das Indústrias Portuguesas Agro-alimentares (2011)

Exhibit 7 – Principal destination markets of Portuguese food goods (2012)



Source: INE – Instituto Nacional de Estatística (International Market Statistics)

Exhibit 8 – Fondant Gamma’s Sales, in € (2008 – 2014 comparison)

Trimester	Net Value 2008	Net Value 2014
1st Trimester	4336,06	44622,75
2nd Trimester	22047,76	52977,33
3rd Trimester	8598,63	61833,23
4th Trimester	21342,25	38874,08
TOTAL	56324,7	198307,39

Source: Maxiprimus

Exhibit 9 – World Dessert Gamma’s Sales - Parfait & Panna - in € (2009 – 2014)

Trimester	Net Value 2009	Net Value 2014
1st Trimester	6249,24	1496,11
2nd Trimester	6894	955,32
3rd Trimester	6692,46	22415,1
4th Trimester	4594,61	9772,28
TOTAL	24430,31	34638,81

Source: Maxiprimus

Exhibit 10 – World Dessert Gamma’s Sales – Parfait, Panna & Cheesecake – in € (2011 – 2014)

Trimester	Net Value 2011	Net Value 2014
1st Trimester	1699,36	2682,94
2nd Trimester	5199,1	1925,07
3rd Trimester	4785,42	23269,51
4th Trimester	3360,01	10828,24
TOTAL	15043,89	38705,76

Source: Maxiprimus

Exhibit 11 – Traditional Portuguese Gamma’s Sales – Sweet From Heaven – in € (2014)

Trimester	Net Value 2014	Net Value 2014
1st Trimester	0	0
2nd Trimester	2752,31	2752,31
3rd Trimester	1026,25	1026,25
4th Trimester	571,23	571,23
TOTAL	4349,79	4349,79

Source: Maxiprimus

Exhibit 12 – Bakery Gamma’s Sales – Madeira Caco Bread – in € (2013 – 2014)

Trimester	Net Value 2013	Net Value 2014
1st Trimester	5411,20	2592,49
2nd Trimester	5884,53	3788,45
3rd Trimester	6361,05	4486,16
4th Trimester	1866,63	2020,80
TOTAL	19523,41	12887,90

Source: Maxiprimus

Exhibit 13– Primus’ Product Portfolio



Source: Maxiprimus

III. LITERATURE REVIEW

Strategic Thinking *versus* Planning

“Strategic thinking is of the utmost importance in the analysis of the various business strategy alternatives” (Cardeal, 2014)

Both strategic thinking and strategic planning have different concepts, however their relationship is of the utmost importance since they complement each other, supporting all the strategic management process.¹⁵

Strategic thinking is a creative and intuitive thinking of all company members, which is associated with some determinants, such as system perspective, intent focus and intelligent opportunism (Cardeal, 2014).

Strategic planning can be addressed dismembering the words that form the concept. First of all, what is planning? Planning is something prior to decision-making, thus designed activities to determine in advance what actions are required to reach a goal. It is an identification and analysis process of various alternatives opting by the best ones (Snyder and Glueck, 1980).¹⁶ After this, in the opinion of Cardeal (2014), strategic planning is a basic strategic tool in terms of positioning and designing activities in the long run. Its output is based on the former activities of the company, keeping the focus on the existing market segments, even though opportunities may be founded elsewhere.

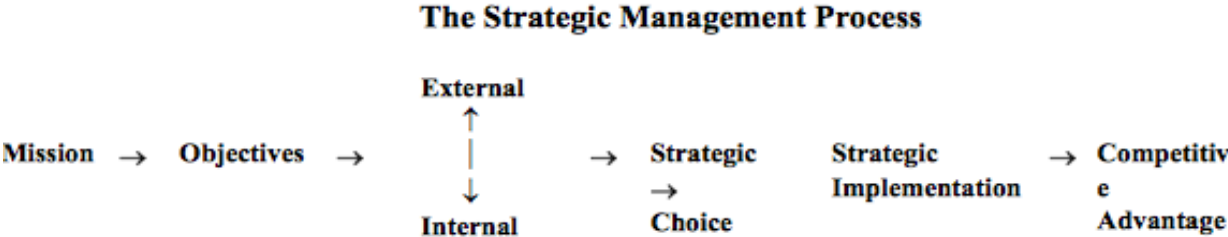
Several differences can be identified between these two concepts, specifically regarding: future vision (in strategic thinking only a future trend can be identified; in strategic planning the future is explained in detail), designing & implementing the strategy (in strategic thinking it's a mutual event, when planning the two activities are totally separated), control of implementation (in strategic thinking is embedded in employees behaviour, in planning is something made through controlling systems), managers role during strategy implementation (in strategic thinking all managers are individually integrated in the company and understand independently what should they do, in planning managers have to follow specific roles for what they were designed and reach department mandatory goals defined by top management). Finally, considering all the

¹⁵ Cardeal, N, (2014). Pensamento Estratégico. Universidade Católica Editora, Lisboa. p. 56

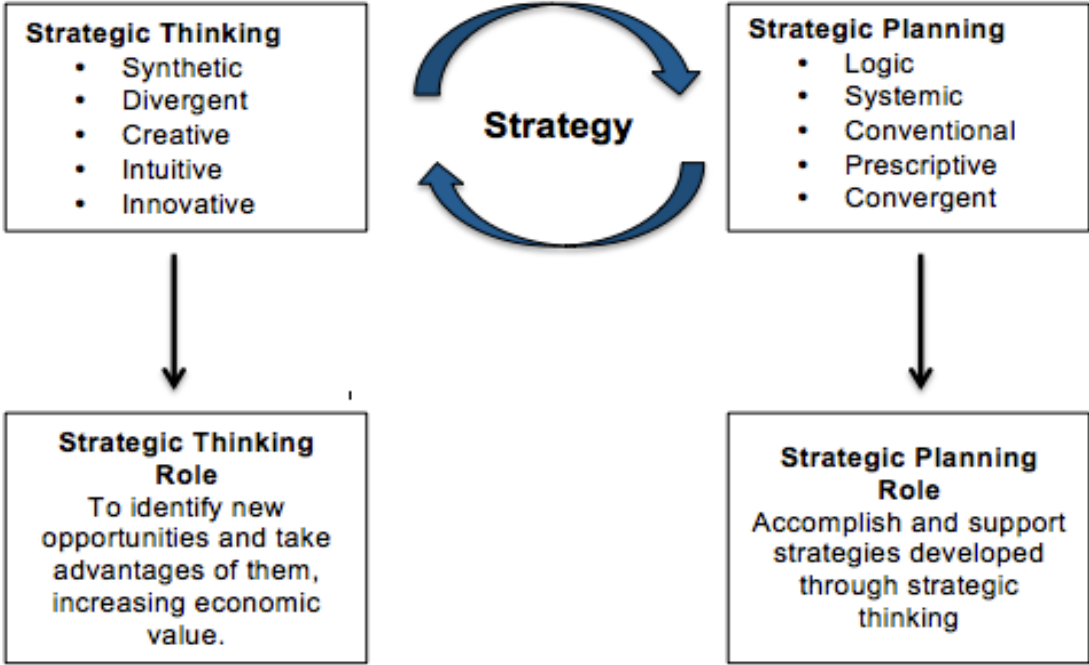
¹⁶ Mintzberg, H. (1994). Rise and fall of strategic planning. The Free Press, New York, p. 9

process and results, strategic thinking “uses” strategic planning as a value added for all the strategic management process, because a plan is always important (Cardeal, 2014).

Nowadays, the change process is too fast and there is less and less need for companies to think and plan about how things will be in 10 or 15 years. Planning the future is important, but consciousness that more scenarios may merge, different from the ones that were predicted, is even more important.



Source: adapted from Barney, J.B. (2011). Gaining and Sustaining Competitive Advantage. Upper Saddle River, Prentice-Hall, p. 15



Source: adapted from Cardeal, N. (2014). Pensamento Estratégico. Universidade Católica Editora, Lisboa, p.55

Contract Packer, Co-packer or Production Outsourcing

When a food start-up enters the market, its managers have the need to make important decision considering company's survival in the future, since anyone wants to see a firm going out of the market two or three years after launch.

An important decision goes through whether to produce, or not, in own facilities. When there aren't enough funds to invest in a factory, machinery and employees (not to mention other bureaucratic costs), the best solution is to make a search for a contract packer agreement, in other words, a co-packer. This concept is exclusive from the food industry and according to Coffin (2013), is nothing more than an established food manufacturing company that produces an entrepreneur's product to its specifications for a fee.

Basically, all production process is outsourced to an entity other than the business that designed the product. Co-packer can be made with friendly or formal agreements, depending on the size of the company, relationship between both and other factors that want to be ensured. A good relationship is of the utmost importance since it makes the venture workable and profitable for participants through the integration of the co-packer on the start-up's team and objectives, reimbursing it if goals are met. Also, this system decreases production costs and expenses in raw materials. Financial and management resources are located far from the plant, equipment, labour and manufacturing and the entrepreneurs may focus only on R&D, sales, marketing and after-sales services.¹⁷

Advantages and Disadvantages of Contract Packing

According to Blan-Byford (2000), when deciding about establishing a contract packer agreement, the hiring company get some obvious advantages, starting on reducing costs of equipment and lead-time getting into the market. The co-partner may already have experience with similar products, so legal regulations already exist. Considering the supply chain, the co-packer possesses facilities to receive and store raw materials as well as finished products. With a view to consulting, various services are available to entrepreneurs in the partner's facilities, from production stability testing, nutritional labelling or other development issues.

However, some disadvantages must be considered when deciding to outsource production. A co-packer may arm business confidentiality, since the formulations, ingredients and product

¹⁷ Coffin, E. (2013). Starting a vegan food manufacturing company.

specifications are shared. Information about sales volume and price may be protected but entrepreneur's core competences are impossible to hide. Other negligible situations like the loss of control over the product, dependence on co-packer's schedule and need for the co-packer to make profit out of the agreement may also be considered as disadvantageous.¹⁸

Vertical Integration

“Vertical integration is one of the strategic dimensions of a company. It relates to its entry in activities where the company becomes its own client or own supplier.” (Cardeal, 2014)

A Vertical integrated company must complete all supply chain processes “under the same roof”, this is, being owner of its raw materials supplier, manufacture the goods it sells, distribute the product and effectively manage the after sales services. Normally, vertical integration reduces transportation costs and turnaround time, improving efficiency. However, not every company have means to build a vertical integrated structure, being more profitable for them to look for economies of scale through other vendors. Also, a vertical integrated system can be forward oriented or backward oriented. The first one is related with raw materials supply and manufacturing, the second regards the distribution process until final consumer.

According to Perry (1989), vertical integration can be defined as the company's decision in internalizing various activities needed to build the final product. Those can be located upstream - from the purchase of raw materials to the transformation of intermediate goods - or downstream – from distribution to final product delivery.¹⁹

According to Armour and Teece (1980), there is also a relationship between vertical integration and innovation, this is, while using this system a company has not to worry about transferring of an innovation investment to others. Moreover, innovative processes are more easily implemented if operations are organized under the same management team, since other parties may not welcome process changes.²⁰

¹⁸ Blan-Byford, L. J., & Holcomb, R. B. (2000). Food Processing Using a Co-packer. Oklahoma State University.

¹⁹ Karantininis, K., Sauer, J., & Furtan, W. (2010). Innovation and integration in the agro-food industry

²⁰ Armour, H. O., & Teece, D. J. (1980). Vertical integration and technological innovation. The Review of Economics and Statistics, p. 470-474

Vertical integration may arise since the very beginning of company's operations or merge during company's growth, where it gradually creates the different subsidiaries of a vertical integrated system.

Macro & Micro Industry Models

“The ability to understand and interact with macro and micro dimensions is essential for a business to survive. Evolution and changes in the various dimensions of the environment often create opportunities and/or possible threats to which different competitors react differently.” (Cardeal, 2014)

PEST / PESTEL / STEEP Analysis

The so-called PEST (Political & Legal, Economical, Sociocultural and Technological), PESTEL (Political, Economical, Sociocultural, Technological, Environmental and Legal) or even STEEP (Sociocultural, Technological, Economical, Ecological and Political) models are three different ways of addressing one common goal: analyse the different macro or external factors that influence a business operating in a given industry. With the objective of identify each factor impact on industry analysis, this model should be carried out in three steps: first, the identification of the relevance of each of the factors for the company/industry that is being described, ranking them according to their importance; second, collect specific information about each of these in order to understand the present and the future trends; last, address which impacts may this macro trends have in the micro environment (positive or negative impacts).²¹

Also, Cardeal (2014) supports that PEST / PESTEL or STEEP model can be manipulated and changed by big companies that actually have some macro-influence, but SME's (small and medium companies) normally don't have this influencing capacities, leaving them with the only option of accept and follow trends, adapting the company to the existing environment the best they can.

²¹ Cardeal, N. (2014). Pensamento Estratégico. Universidade Católica Editora, Lisboa, p. 102-105

Considering PEST approach, each of these four contexts address different trends:

Political factors are related with a government intervention degree, in terms of tax policy, laws, trade agreements/restrictions or even good's provision regulations.

Economic factors include economic growth, interest rates or inflation rates. Also, regulations about trading goods, money, energy and information are directed here.

Sociocultural factors include all cultural aspects of a country or industry, as well as trends that affect demand for a given company and product. Specifically, regulatory forces related to society values, traditions and customs.

Technological factors are mainly related with R&D activity, technology incentives and the rate of technological change. Evaluating basically the innovative background of problem's resolution.

Porter's Five Forces Model

“The strongest competitive force or forces determine the profitability of an industry and so are of greatest importance in strategy formulation” (Porter, 1980)

Michael Porter (1979) supported that the goal of any corporate strategist is to find a position in the industry where his or her company is whether protected or being positively influenced by five market forces: Threat of New Entrants, Threat of Substitutes, Bargaining Power of Suppliers, Bargaining Power of Buyers and Industry Rivalry (in the centre of the remaining four). The state of competition in an industry depends on these five forces, which have to be carefully investigated to measure market attractiveness.²²

According to Cardeal (2014), these five forces should be analysed taking into consideration several different factors:²³

Threat of new entrants depends on potential barriers that companies have to face to operate in a given industry, therefore as more noticeable these barriers are, less will be the threat of new entrants. Existing factors influencing this force are scale economies, product differentiation, initial investments, extra-scale cost advantages, distribution channels access, governmental issues, intellectual property protection, and costs of change for customers.

²² Porter, M. (1979). How competitive forces shape strategy. Harvard Business Review, Boston.

²³ Cardeal, N. (2014). Pensamento Estratégico. Universidade Católica Editora, Lisboa.

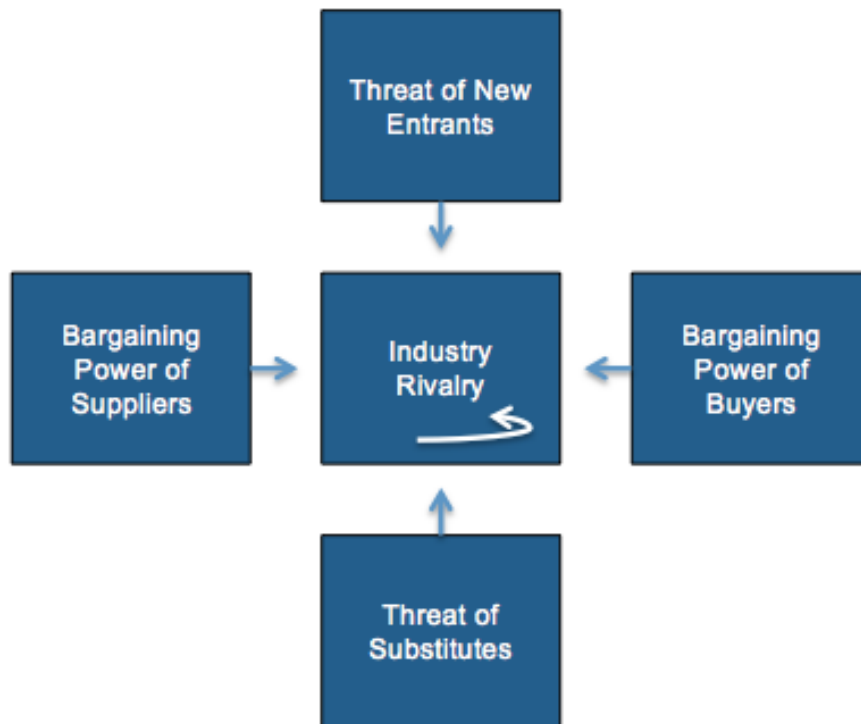
Threat of substitutes is products or services from different industries that are likely to satisfy the customer equally (i.e. a cheesecake may be considered as a substitute for ice cream in the desserts sector). Further, products with a lower price that will satisfy the need, for example, of eating a dessert, are expected to substitute higher price products used for the same end. Moreover, existing factors influencing this force are customer's loyalty to the brand and respective costs of change, long run enriched relationship with the customer, price-performance relationship of substitutes and actual market trends.

Bargaining Power of Suppliers is related with the power of suppliers to influence a given industry through price changing, products quality and delivery or payment's schedule changing. It is important to consider, in some cases, not only raw materials providers but also other services that deliver the product to the final destination (i.e. distribution service supplier). Existing factors influencing this force are the number of existing suppliers in the market, product differentiation, existence of substitutes, potential forward vertical integration of the suppliers, and cost of changing the supplier.

Bargaining Power of Buyers is basically the inverse of the previous one, related with the influence that clients might have in the company's margins and sales volumes. Here, the factors influencing the force are the quantity bought, customer's concentration in the market, product differentiation, cost of change, price sensibility, information about market costs and structure and potential forward vertical integration of the customer. However, this force can be lowered if a given product is perceived as a high-quality one, using customer's loyalty as a guarantee and excluding the possibility of substitution.

These four forces normally influence **Industry Rivalry** (the fifth force). The more negligible other forces are to industry attractiveness, the higher is industry rivalry level. Still, there are some factors influencing this last force, namely: existence of many potential competitors with similar strategies, product differentiation between players, market growth potential and market exit barriers.

Still agreeing with Cardeal (2014), after carefully analyse these five forces, a company can access about the attractiveness of the industry where it is operating, taking a decision of accepting and adapting to the existing conditions or, on the other hand, try to change the industry configuration, increasing competitiveness.



Source: adapted from Porter, M. (1980). The Five Forces that shape strategy. Harvard Business Review, p. 23

Defining Strategic Direction: Porter's Generic Strategies & Product-Market's Matrix

In his *Competitive Strategy: Techniques for Analysing Industries and Competitors* (1980), Porter defined three generic strategies for building competitive advantage. These represent a company's strategic strength in both cost advantage and differentiation areas, and are namely: cost leadership, differentiation and market segmentation (focus or niche). The first one is related with the ability of a company to have the lowest cost of producing its goods or services inside a given industry. The second one is related with the capacity of offering products or services with unique features that are not provided by any other competitor in a given industry. The last one happens when a company targets a market niche, developing differentiated products and service for a targeted customer segment.²⁴

²⁴ Porter, M. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. Free Press, New York.

Independently from differentiation or cost leadership choices, a company will always have to make decisions considering the products/services that will sell and which market segments will be targeted. To relate both product and market, a strategic framework (matrix) should be used, facilitating the identification of commercial opportunities. Once identified the strengths and weaknesses as well as business strategy orientation, decision making about the strategic development should be done.²⁵

Ansoff's Matrix is a strategic tool that focuses on the company's market or product improvement, in other words, company growth. Thus, strategic decision-making is based on four main quadrants: market penetration, market development, product development and diversification. Cardeal (2014) differently named the four quadrants as market penetration, market extension, product extension and semi-diversification.

Porter (1985) defined Ansoff's market penetration as the growth strategy that utilizes core competencies of the existing value chain; market development as related with a new market and an already existent product and product development as directly connected to product innovation because new products are marketed to existing customers. Diversification, on the word of Taylor (2012), is considered to be the most risky strategic quadrant, as the firm is creating new products for totally new markets. The firm can face both a threat and a good opportunity to grow as first mover.²⁶

On the word of Cardeal (2014), market penetration happens when the current gamma of products are already targeted segments are deepen explored; market extension happens when the company try to target new segments with the existing products gamma (i.e. geographical extension); product extension happens when the company creates new products to serve already targeted segments and semi-diversification allies product extension with market extension, having a different meaning from Ansoff's diversification concept. Cardeal perceives diversification as when a company changes the targeted industry and semi-diversification as a process within the same industry (i.e. a soup manufacturer investing in the healthcare business or a new foodstuff in the food industry).

²⁵ Cardeal, N. (2014). *Pensamento Estratégico*. Universidade Católica Editora, Lisboa.

²⁶ Taylor, E. (2012). *Competitive Improvement Planning: Using Ansoff's Matrix with Abell's Model to Inform the Strategic Management Process*. Academy of Strategic Management.

CAGE Distance Framework

For a corporation to go international, a series of decisions involving several factors influencing the expansion to a foreign market must be taken. As there are differences between two countries, there are most probably differences between their market conditions.

According to Ghemawat (2001), in his article *Distance Still Matters: The Reality of Global Expansion*, a strategic framework should be considered when thinking about expanding the business abroad. This author brings to us practical examples whether a company from a given industry should or should not opt by commercialize with another country, based on the framework acronym “CAGE”, from which it is possible to extract four distance dimensions: Cultural, Administrative and Political, Geographic and Economic Distances. Despite sometimes considering geographical distance as a leverage factor of exchange between neighbour countries, this is not as straight as it seems. This author also supports that a company must consider all the three other dimensions: cultural factors such as religion, race, social norms and language; administrative factors such as colony colonizer, currency and economic factors such as income.²⁷ Favourable global opportunities may arise if considering all this vectors. Below, a framework identifying each dimension, factors and most affected industries can better describe this scenario.

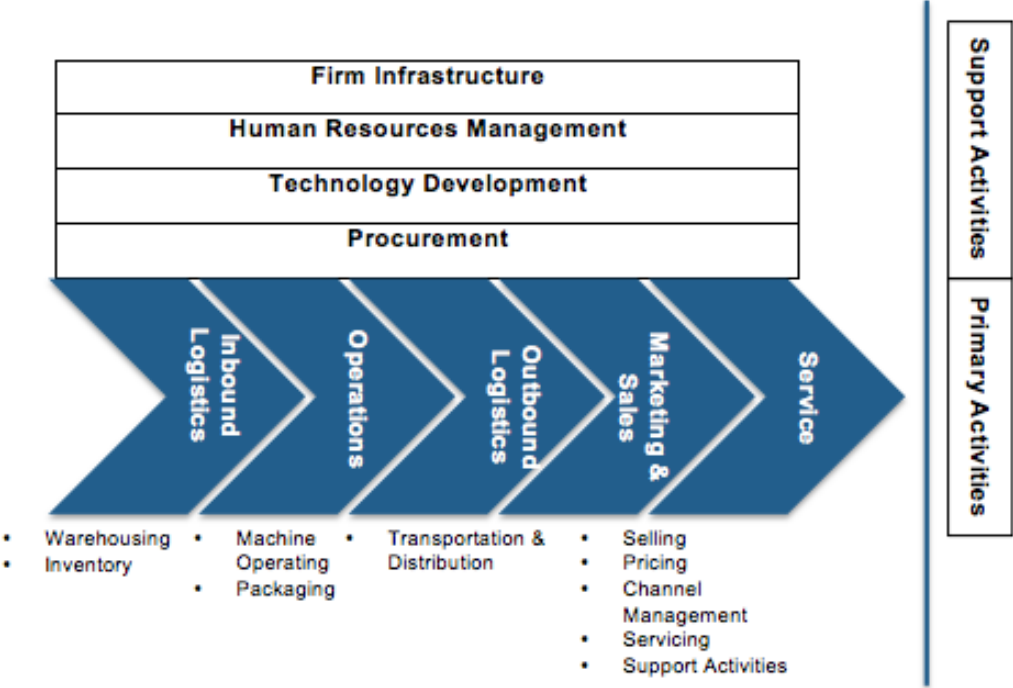
²⁷ Ghemawat, P. (2001). Distance still matters. Harvard Business Review.

	Cultural Distance	Administrative and Political Distance	Geographic Distance	Economic Distance
Distance between two countries increases with...	<ul style="list-style-type: none"> • Different languages, ethnicities, religions, social norms • Lack of connective ethnic or social networks 	<ul style="list-style-type: none"> • Absence of shared monetary or political association • Political hostilities • Weak legal and financial institutions 	<ul style="list-style-type: none"> • Lack of common border, waterway access, adequate transportation links • Physical remoteness • Different climates 	<ul style="list-style-type: none"> • Different consumer incomes • Different costs and quality of natural, financial and human resources • Different information or knowledge
Distance most affects industries or products ...	<ul style="list-style-type: none"> • With high linguistic content (TV) • Related to national identity (foods) • Carrying country specific quality associations (wines) 	<ul style="list-style-type: none"> • That a foreign government views as staples (electricity), as building national reputations (aerospace), or as vital to national security (telecommunications) 	<ul style="list-style-type: none"> • With low value-to-weight ratio (cement) • That are fragile or perishable (glass, fruit) • In which communications are vital (financial services) 	<ul style="list-style-type: none"> • For which demand varies by income (cars) • In which labour and other cost differences matter (garments)

Source: adapted from Ghemawat, P. (2001). Distance Still Matters. Harvard Business View, p. 1

Value Chain

As cited by Satya (2010), Porter’s value chain disaggregates a firm into strategically relevant activities in order to understand the behaviour of costs and the existing potential for differentiation. To Porter, a firm gains competitive advantage by performing the different activities in a cheaper way than its competitors.²⁸ Still, a firm’s value chain affects each one of the various actors that participate in that chain (i.e. a firm’s chain is part of the supplier’s value chain; if the production is not made, a firm’s chain can influence the distributor value chain; finally and in this same perspective, a firm’s chain can even influence the buyers value chain). Also, value chain management is important, in the extent of focusing attention and resources to the parts from which more value comes from, subcontracting those that contribute less.²⁹



Source: adapted from Sand, C. (2010). The Packaging Value Chain. Michigan State University, Lancaster, p. 15

²⁸ Satya, G. (2010) Business Policy and Strategic Management. International Publishing House.
²⁹ Porter, M. (2001). The value chain and competitive advantage. Understanding Business Processes, Routledge.

IV. TEACHING NOTES

Introduction

This last section should be used for teaching purposes. Therefore guidelines to instruct teachers and students on how to go through the case are stated. To teachers is given total access to the entire resolution of the case and, more importantly, to teaching objectives and case analysis. To students, suggested assignment questions are provided and must be presented and discussed in class, in order to understand all the content they read about. Jointly, this section aims to promote a class debate and give students the possibility to learn about a specific matter.

This case was written in the end of 2014. For that reason, possible data actualizations and other considerations may suffer changes in the upcoming years.

Synopsis

Maxiprimus was founded in 2001 as a brand new company in the ready-to-eat food industry. Its first concept was based on selling imported food ingredients with an ill-defined strategy. Economic growth due to two important emerging clients gave space to strategically define the future of the company. Since when, the creation of an innovative food concept aligning products and services were the operational drivers. Over the years, was confronted with several strategic changes such as product development, diversification and market penetration and extension. Market growth was achieved due to competitive advantage and star products, as well as acceptance of distribution chains negotiating power. In order to deliver its products to the final consumer, an option for co-packer agreements rather than vertical integration was perceived as more responsible and advantageous, and so three geographically dispersed production co-packing agreements were established. Later, a decision to go international occupied managers mind and outsourced production began to be questioned. Increasingly operating national and internationally, does it make sense to continue contracting production? Should the main strategic vector that escorted the company in its entire lifecycle be totally or partially changed? Is the company capable enough to continue working towards new products, new markets, controlling at the same time an up-stream division?

Teaching Objectives

This case study was developed with the aim of being discussed in class and help students to better understand strategy course contents through the analysis of data and other informational material. With a real situation described, students should apply former strategic learning considering several teaching objectives:

- For students to assimilate the importance of strategic thinking, planning and innovation when launching a new company into the market.
- For students to apply various strategic frameworks such as Product-Market Matrixes, Porter's Five Forces or CAGE Model.
- For students to understand the importance of strategic choices and decisions when considering investments that may change a company's course.
- For students to assimilate the concept of co-packer and understand the strategic implications of a vertical integrated structure, as well as to know more about outsourcing systems and respective advantages and disadvantages.
- For students to understand the importance of a small firm to go international and implications it may have in the organizational structure.
- For students to give recommendations about a potential future for Maxiprimus, applying various strategic course contents.

Proposed Assignment Questions

In order to assimilate concepts and understand the case, find below five suggested assignment questions. When answering them, students must relate strategic course contents with the real situation they read about.

- 1) *Considering information given in the case, PEST and Porter's Five Forces Model, develop a brief analysis of the Portuguese "ready-to-eat" food industry.*
- 2) *Strategic changes mark Maxiprimus' evolution. Taking that into consideration, analyse strategically the company's progression over the years.*

- 3) *What did drive the company to pursue various co-packer agreements or outsourcing contracts? Which are the main pros and cons associated? Comment on this based on company's value chain.*
- 4) *How did Maxiprimus' managers perceive internationalization? Using CAGE model, briefly comment on company's export markets.*
- 5) *Think again about all company's evolution and strategic choices. In the long run, a change to a vertical integrated company might happen. In your opinion, is it likely for Maxiprimus to opt by a vertical integrated structure?*

Case Analysis

- 1) *Using the information given in the case, PEST and Porter's Five Forces Models, develop a brief analysis of the Portuguese "ready-to-eat" food industry.*
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In order to better analyse the environment where a company is establishing operations, it is better to focus first on a macro perspective that influence the micro perspective. To do this, we will first develop a PEST analysis and after infer about the five forces affecting Maxiprimus in this given industry.

PEST Analysis

- **Political & Legal**

Portugal is seen as an unstable political country. Since the beginning of the economic recession that companies face a constrained political environment. IMF (International Monetary Fund) controlled Portugal during a couple years in which political decisions were taken in order to manage crisis, influencing negatively population's wealth. State workers saw their salaries going down and taxes going up. However, regarding commerce regulations, besides the integration on European Union, trade agreements with Brazil, China and Africa came as a positive factor, together with government support to "Made in Portugal" products that help SME's to bet in national market.

In 2013, IMF left and Portugal is now seeking for a best position in the market as well as trying to recover people's trust. Political agreements with Portuguese speaker countries and China may help the country to grow. "Made in Portugal" will lower the prices and increase the demand.

- **Economical**

Markets confidence decreased a lot since economic crisis and price instability turns Portugal into an uncompetitive country towards European economy. Distribution of income and wealth is below the average originating less consumption trends. Taxes in almost all goods and services (i.e. VAT) increased more than 100% over the last years, which allied to income reduction diminishes purchasing power of consumers. Also, high unemployment rate due to tax increase led companies to dismiss employees. With this entire situation, families' revenues came down and saving money started to be part of the daily decisions of consumers. Considering once again "ready-to-eat" products, what happens is that with less money, people will buy fewer products. However, with the increase in taxes not only in food products but also, for example, in restaurants, a higher consumption of goods to eat at home is felt in several POS's (Points of Sale). Since all economy is retracted, willingness to spend money in supermarkets and wholesalers is higher than spend in a restaurant. Thus, ready-to-eat products are seen as a solution to overcome the need for a restaurant ready-to-eat meal, because they are cheaper.

- **Sociocultural**

A partial end of middle-class characterizes the Portuguese social environment since the beginning of the crisis. People are often really influenced by media, market and opinion leaders, deciding based on what they see or listen. Emigration flows have been happening, reflecting a population aging. Additionally, willingness to change, high level of loyalty given to certain products, status quo and access to more information characterize consumer's new trends. In Portugal, food is fashion, so predisposition to buy gourmet products will be increasingly high.

- **Technological**

National expenditure in R&D and Innovation is considerable but low comparing to other developed countries. Actually, the private sector is the one that is betting in new production processes and new products in a large scale. Innovation technologies are being supported and transferred from entities specialized in R&D to companies that search for automatize and improve processes. Also, Internet and social networks allow the cheaper interaction with the consumer. In Portugal, companies' perception about the potential for interaction with suppliers, customers and technological support services infrastructures is negligible, although better than some years ago. Particularly in the food industry, InovCluster is playing for a competitive future. With their help, R&D, differentiation and innovation will be possible for those who want them to be. Prices will go down and demand will certainly increase with all this optimization process.

Factor	Trend	Impact	
		Positive	Negative
Political & Legal	<ul style="list-style-type: none"> • IMF influence • Political instability • Trade agreements 	Ease relationship between domestic enterprises and EU, Brazilian, China and Angola markets; future price reductions and demand increase	Population is still resilient about government actions and do not trust in what is national.
Economical	<ul style="list-style-type: none"> • Salary reduction • Tax increase • High Unemployment 	Ready-to-eat products are seen as a solution to overcome the need for a restaurant meal because they are cheaper.	Salary reduction brings along less willingness to buy ready-to-eat products.
Sociocultural	<ul style="list-style-type: none"> • Middle class decrease in purchasing power • Search for fashion 	Predisposition to buy gourmet products perceived as fashionable	Less money spent in non-essential goods, as ready-to-eat desserts.
Technological	<ul style="list-style-type: none"> • Investment on R&D and Innovation held by private entities • Optimization of production processes • Social Networks usage 	Prices will go down and demand will certainly increase with the optimization process. The consumer is constantly in contact with the brand through social networks.	

Porter's Five Forces

Now, let's analyse the present industry in a micro perspective according to Porter's and considering the "ready-to-eat" food industry where Maxiprimus operates.

- **Threat of New Entrants (Medium-high)**

One thing that should be bared in mind is that we are working on a very saturated industry ("ready-to-eat"). Thus this force is considered to be medium-high. Several factors influencing this can be pointed. First of all, scale economies are not a barrier, since they do not exist, then entrants will enjoy it if they can. Secondly, differentiation is noticed, so if new entrants want to compete, they have to be at least as differentiated as the already existing players. Thirdly, initial investments to enter this industry are far from being big and this can be addressed during the case, since we are facing a company that found a cheap way of starting operating this market. Fourthly we have market experience as a barrier. An experienced company in creating, producing and distributing, will give it enough expertise to create a barrier on other's entrance. Fifthly we have a half-barrier in distribution channels access. For example, in this industry if a representation in HORECA, Cash & Carry's and supermarkets is already pursued, other companies will have to negotiate better conditions with them to compete.

Additionally, government allows any company to operate the "ready-to-eat" sector with no particular restrictions. The non-existence of intellectual property protection may let other companies to "steal" formulations from firms that do not possess any type of patent (i.e. Maxiprimus doesn't have patents). Last but not least, the absence of cost of change to the customers in buying similar products do not represent a barrier to enter this market.

In conclusion, any firm can easily enter and compete, having just to overcome some barriers.

- **Threat of Substitutes (High)**

For the ready-to-eat food industry the threat of substitutes is high. If we think for example in ready to eat desserts (i.e. to use an example from the case, a Fondant) there are various other ways to satisfy the need for a sweet dessert, as it is the case of a chocolate powder cake bought in a pastry or supermarket. It belongs to a different industry but actually satisfy the consumer in a similar way than ready-to-eat frozen dessert. Moreover, the price of ready-to-eat products is normally higher than other regular product because although innovative production processes

with lower costs, other industries have simpler productions. Basically, the substitute's power increases as it may attract more market volume with a cheaper price, limiting sales for existing companies in the ready-to-eat business.

The issue here may also rely on the companies' relationship with the customers and the final client choosing process. Although customers are loyal to a given brand, if the final consumer prefers to buy substitutes, revenues coming from a product may decrease.

- **Bargaining power of suppliers (Low or Medium-low)**

Raw materials, production and distribution suppliers' services are the ones that make difference in this force. Considering food goods production, a lot of raw material's suppliers exist and if a company is not satisfied with a certain one, may always look for another (i.e. chocolate, fillings, food ingredients suppliers). As substitutes exist, suppliers can also be substituted, so their power is low. A potential risk may be however related with the possible forward integration of a production supplier, entering in the competition with almost guaranteed scale economies. This doesn't happen with logistics suppliers, yet they can somehow affect the company in terms of payment schedules.

- **Bargaining power of buyers (High)**

Major buyers like HORECA, Wholesalers and GSM have a high market power due to distribution brands trend and concentration. Also, they all buy in big quantities. Besides quality standards and low price difference, their negotiating power is big since they can choose where and who to buy.

Also, information about prices, costs and lack of strategic relevance for them when it comes to "ready-to-eat" products also contributes to this high power (i.e. Primus products are not strategically relevant for their success). The possibility of vertical integration is low since a POS doesn't normally invest in own facilities but BPB is high because it can directly influence sales volume and prices. This can be partially decreased if customers perceive the acquisition of a specific brand as a need for high-quality standards.

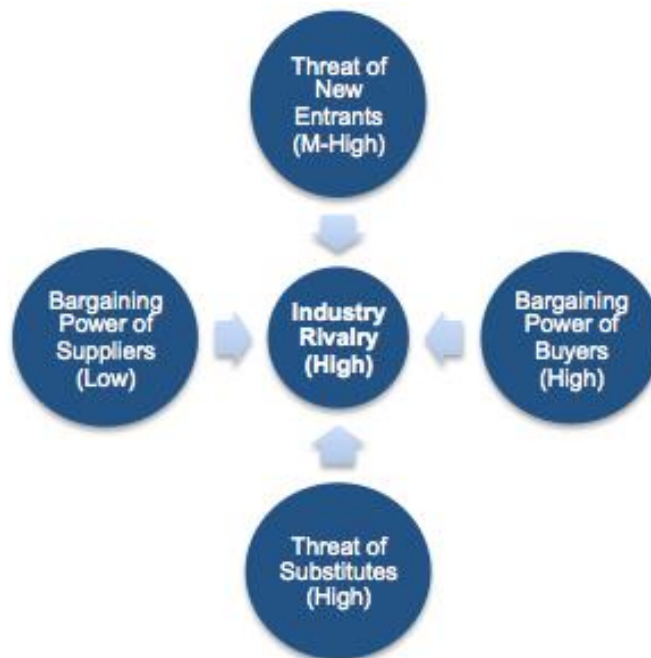
- **Industry Rivalry (High)**

Taking into consideration all the facts mentioned, the “ready-to-eat” food industry rivalry should be perceived, not surprisingly, as high.

Fragmentation and saturation are the first reasons that led us to this conclusion. Any company can operate this industry with no restrictions. Additionally, substitutes exist and are normally available for a lower price to the consumer.

Conversely, in some niches products are differentiated and compete for quality and innovation, diminishing rivalry.

With this market conditions and mainly because of major distributors shaping power, a typical SME operating this industry should resign in accepting the industry as it is, adapting production capacities, protecting from worse factors and enjoying advantages from the positive ones. Investing in new concepts rather than existing products, creating market niches through quality may be a way of adapting positively to the existing competitiveness and fight against high substitute and buyers pressure as well as creating more and more barriers to new entrants through production optimization and expertise.



2) *Strategic changes mark Maxiprimus' evolution. Taking that into consideration, analyse strategically the company's progression over the years.*



Maxiprimus was founded in 2001 with the aim of operating in the food market and evolved through several strategic decisions related to products and market. In the beginning, we can say that this company was not strategically oriented, being only a representative of other brands in the national market. After 2006 Maxiprimus began to define goals and strategies. Changes in the company's strategic thinking, mission and vision happened and four strategic vectors were followed.

- **Importing & Selling**

Maxiprimus was a start-up discovering the food market and trying to design a survival path. However, the company's rudimental mission, the lack of future vision and strategic plan weren't really defining what the firm was, whom it served, what it was pretended to do and why it was doing it. This led managers to realize that long-term growth opportunities would be few. The strategic management process was not being well perceived, since they were not defining strong internal and external objectives, thinking and deciding strategically, letting alone competitive advantage. Anyone argued that the company would not be successful if continuing to importing and selling. The issue was mainly the lack of orientation.

- **Re-defining mission, vision, values and strategy**

This process marked the big evolution of Maxiprimus as a company and its way out from a "non-oriented" player. The creation of Primus and its concept brought the need for strategic positioning and future guidelines. The company re-defined the mission, vision and values

that should be followed in the upcoming years: develop and produce 5th gamma food products and desserts with added value to the customer and differentiated towards the existing markets, building partnership relations in the long run with stakeholders was now their mission. Moreover, visioning an innovative firm of the food and desserts market, extended to various geographies and well perceived by customers because of its quality products. Innovation, value creation, customer orientation, long-term relations and enthusiasm became the company's values.

Although one specific product may not be completely innovative (i.e. cheesecake), Primus concept is: new and creative solutions and a food consultancy branch that help customers to detect market opportunities. Value creation was tracked by results both to the company and stakeholders, always trying to overcome expectations. Customer orientation was accurate and professional. Long-term relations were based on advantageous solutions thinking about the few business parties and taking decisions with the aim of strengthen trust.

To better analyse how Maxiprimus took strategic decisions regarding product and market orientation, let's look at the Products/Market Matrix below:

		Segment X	Segment Y	Segment Z	Segment W	Segment K
Products	Product A	MARKET PENETRATION			MARKET EXTENSION	
	Product B					
	Product C	PRODUCT EXTENSION		SEMIDIVERSIFICATION		
	Product D					
	Product E					

Source: adapted from Cardeal, N. (2014). Pensamento Estratégico. Universidade Católica Editora, p. 205

- **1st Strategic Vector → Product extension**

Maxiprimus left never products importation, and this can be addressed when is stated that still today, Makro is supplied with imported products. Thus, when Primus was launched, the portfolio was extended to serve the same target market, but this time through an own brand and a completely different concept. Product extension is characterized by the development of new products to serve existing segments, and this is in line with what happened: Primus portfolio started to be sold to HORECA food channel, which was an already targeted market segment. Despite not having Primus represented in this segment before, former MP's products were there.

- **2nd Strategic Vector → Semi-diversification**

Over 8 years of portfolio development, Maxiprimus encountered a diversification, or better, a semi-diversification process inside. This concept allies product extension with market extension inside the same industry and was mirrored by the investment in different sectors of “ready-to-eat” food industry (i.e. Primus soups, Primus bakery and Primus desserts). Construction of different production lines in the soup, desserts and bakery sector was pursued and products were delivered to new markets, such as GSM (super and hypermarket chains) and Wholesalers (Cash & Carry’s). Also, food consultancy services provided by the company were perceived as a product and thus part of this strategic vector.

- **3rd Strategic Vector → Market Penetration**

Between 2010 and 2011, many changes happen in Maxiprimus’ operations. Management rearrangement and product versus market focus declared an imminent strategic change. Product development and diversification happened essentially at the same time, but as managers realized that beyond the fact that products were gaining exposition in HORECA, GSM and Cash & Carry’s, the brand it-self was not. Hence, there was the need for improving already existing products, this time with the objective of improving Primus awareness to already existing markets. In other words, a more intense market penetration for Primus was needed. Own distribution brands, besides considerably leveraging the business, were killing the company’s trademark, however no divestments on production to distribution brands were made. Maxiprimus started investing in national and international events representations with Primus to create awareness and also to make people realize that sometimes they are buying Primus without noticing.

Taking into account that this industry is in constant growth and there is not any direct competitor with the same concept, market penetration is not pursued taking market share to competitors, hence being an activity mostly with the aim of creating market growth only for this company.

- **4th Strategic Vector → Market Extension**

According to Cardeal (2014), with this strategic development, the company tries to serve new market segments with the same product gamma than before (i.e. geographical expansion).

With this, we can access two different types of market extension to Maxiprimus: the national and international one:

- National geographic expansion: marked, for instance, with the introduction of products in super and hypermarkets in Lisbon and then in Oporto, Gaia, Braga, Faro, Beja, as it is the case of Supercor stores, Makro wholesalers and Continente/Pingo Doce supermarket chains.
- International geographic expansion: introduction of existing products in the foreign market.

Considering all this strategic options, we can access the evolution of the company in terms of products and market strategies throughout operating years. The first two vectors mark the arrival of Primus into the market and the first strategic steps for Maxiprimus. The other two mirror a gain in experience and a need for change. Playing with strategic directions is important for any company because the market is always changing and one plan today may not be the best one tomorrow, that's why adapting strategies is the key.

3) *What did drive the company to pursue various co-packer agreements or outsourcing contracts? Which are the main pros and cons associated? Comment on this based on company's value chain.*

First of all, it is important to refer that a co-packing agreement is a specific concept of food companies and its based on establishing production of a given product and its specifications with a food specialized producer for a fee. In this way, Maxiprimus was on the right area.

The drivers that led the company to outsource are totally related with value chain issues. As we know, a value chain is the way a company organizes primary activities and support activities. Due to its microstructure, support activities as firm infrastructure, human resources management, technology development and procurement are not relevant to answer this question, so we will focus on primary activities, whose are actually outsourced by this company. So, how does Maxiprimus receive raw materials as input, add value to them through various processes and deliver the final product or service to customers? Maxiprimus is responsible for Research and Development, but since they launched the brand they had to search for solutions on how to manage all the process of inbound and outbound logistics, in order to deliver the maximum value for the least possible total cost. They found the solution on co-packer agreements.

- Five drivers regarding firm's decision to outsource can be identified in the case:
 - 1) Organizational microstructure;
 - 2) Scarcity of financial resources to invest in manufacture facilities, so, need for cheap labour factors;
 - 3) Creation of a food products portfolio necessarily needs production capacity and distribution systems;
 - 4) Lack of expertise in manufacturing and distribution processes;
 - 5) Former partnership experience.

If we call each one and relate them we conclude that the organizational microstructure was allied with the scarcity of financial resources, thus a primary vertical integrated structure was impossible. The need for product development was high and the expertise to do it was low, consequently the use of Pascoal facilities was actually the best option. Jointly, product development, diversification and later sales volume with geographical expansion took Maxiprimus to sign various co-packer agreements all over the country.

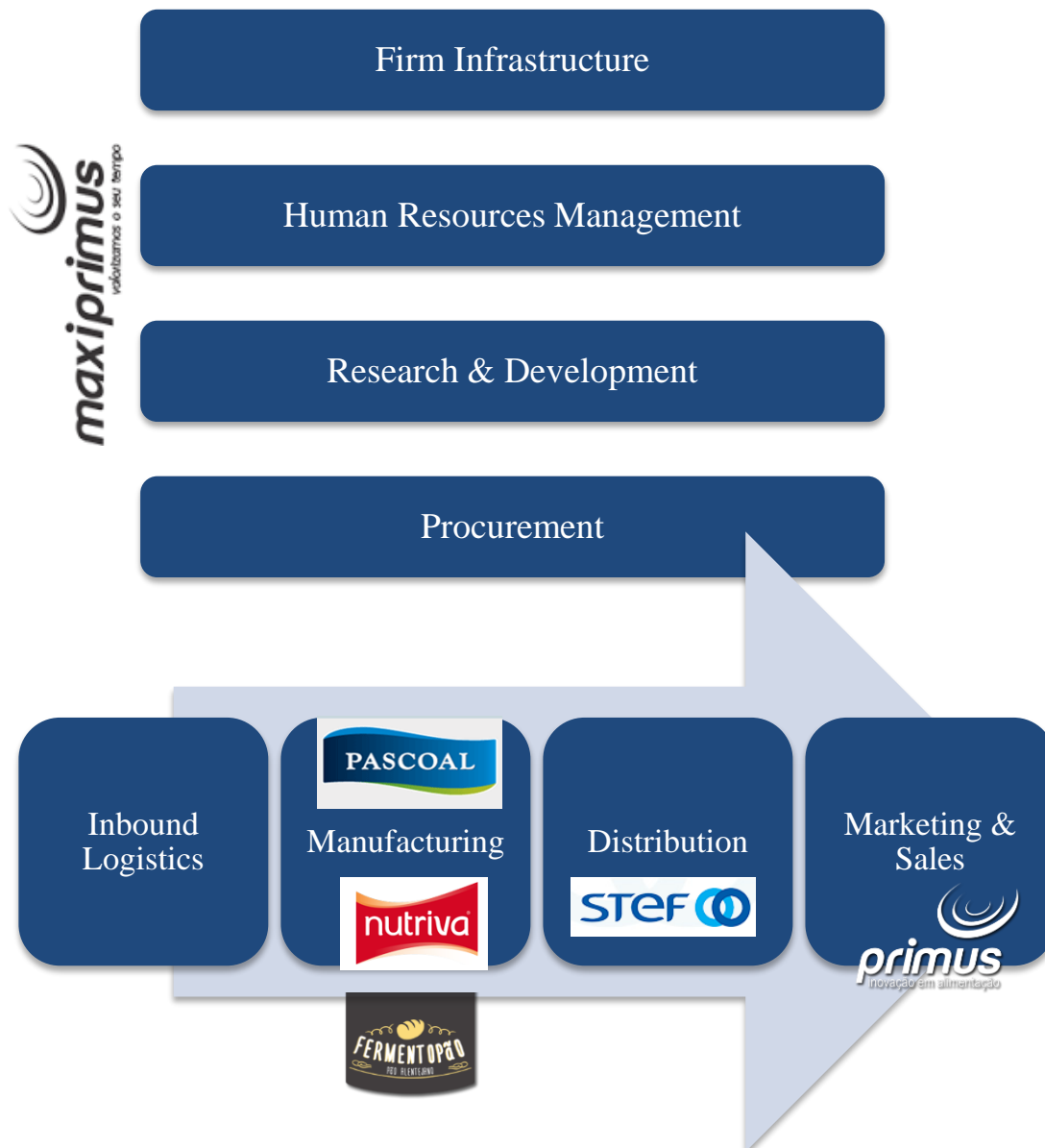
Outsourcing Pros

- Concentration on core business process: with an outsourced system, there is more time left to concentrate on improving core competences. For Maxiprimus, activities as R&D and Marketing were more important than the production or distribution processes.
- Reduced operational and fixed costs: outsourcing eludes the need to hire individuals in-house and pay fixed rents. For a company with scarce financial resources, as less costly the production process is as better is the value delivered to the client.
- Risk dilution or risk sharing: in shifting some responsibilities to the contracted producer, Maxiprimus activities are more protected because they are being managed by more than one entity.
- Avoid sub-standard quality: this topic has to do with diversification issues and is directly related to the geographical expansion of partnerships (i.e. produce bread in bread makers and desserts in desserts makers, otherwise, the quality may be compromised).

Outsourcing Cons

- Exposing confidential data: this can be perceived as bad from both Maxiprimus and producer's side. Maxiprimus shares its competitive and innovative know-how on what is necessary to produce a given product and partners share manufacturing knowledge. However, the potential situation of ending the packing contract brings more negative impact to Maxiprimus than to the experienced producer, which also operates in other business areas.
- Misleading production control: manufacturing outdoors brings along the need for better control, yet the distance to the partners creates a less secured control system.
- Higher Transportation Costs: related with the cost of transporting raw materials to the partner's facilities and from there to the customer. All this synchronization brings along higher costs than doing everything under the same roof.
- Centralized production: core products are being produced in only one factory (i.e. fondant). This may incur in the risk of a possible total loss of production.
- Lack of armouring contracts: if for any reason the contract packer agreement ends, Maxiprimus will receive nothing and the former partner will be free to imitate the product.

In order to better assimilate the outsourcing system built buy Maxiprimus, please look to the image below.



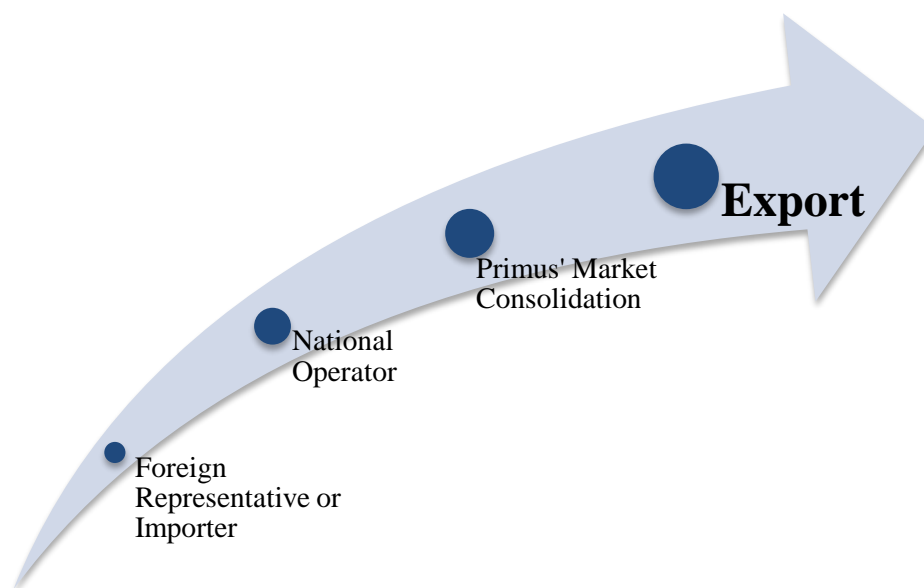
4) *How did Maxiprimus' managers perceive the internationalization process? Using CAGE model, add a brief comment on company's export markets.*

Maxiprimus' internationalization process can be analysed based on several factors, which lead to the conclusion that **International Market Extension** is the solution for sustainably operate in the future.

Thus we know that:

- Objectives towards innovation appreciated by European markets were achieved
- National competitive advantage exist: Maxiprimus has a concept for which there is not a direct competitor, therefore retaining almost 100% of the customers loyalty, both to its products as to its consultancy services. Moreover, the firm's cost structure and customer support are perceived as competitive, since the production costs are low and after-sales management is attentively managed.
- Consolidation and penetration in the national market is practically done, since central objectives were reached with target markets covered: HORECA, GSM and Wholesalers.
- Affiliation to international organizations (i.e. Portugal Foods) and participation in international events & fairs called foreign buyers attention.
- Development of a product assumed as the key for the international market: custard tart.

Managers understand that internationalization is an opportunity of changing the business model structure to a more sustainable one. An international market extension can originate balanced and sustainable operations in the long run with an equal distribution of revenues (30% to each market segment) securing possible fluctuations. Internationalization is also perceived as an 180° degrees change in the business: from an importer to an exporter. In the figure below it is possible to address all the operational path and strategic decisions made towards internationalization.



Now, using **CAGE Model**, we can address why Maxiprimus successfully entered the export markets stated in the case.

Country/ Distance	Cultural	Administrative and Political	Geographic	Economic
Spain	Low	Low	Low	Low
France	Low	Low	Low	Intermediate
Belgium	Intermediate	Low	Low	Intermediate
Luxembourg	Low	Low	Low	Intermediate
Angola	Low	Intermediate	High	High

Looking to the table presented above it is possible to address why Maxiprimus chose the given foreign markets. Firstly and not surprisingly we have Spain, the country that represents one third of Portuguese exports. Similarities between the two countries drive to the trade of almost every type of product. Secondly we have France, economically more distant but cultural, political and geographically close. Also, over the years an “emigration factor” originated increasing trades between Portugal and France. Thirdly we have Belgium and Luxembourg with similar profiles, although in the second one Portuguese emigrants represent around 40% of population, which justifies a lower cultural distance. As they are northern countries, cultural distance increases. Political distance is low due to European Union regulations, still income levels in these countries are quite superior to Portuguese ones and that’s why they are considered in part distant. Fourthly we have Angola with a different connotation in this analysis. Although geographic and economically distant, as a Portuguese speaker market with privileged political and historical background, this country is an increasingly attractive market for Portuguese companies. Note that, an intermediate political distance is due to other facet of the situation: political inefficiency and corruption are still today a reality in Angola’s territory, retracting investment decisions. Besides this, the recent economic grow and the emergence of a middle-class turns it into a potential market for Primus (i.e. creation of supermarket chains in Luanda, as “Casa dos Frescos” is a symbol that something is changing in terms of consumption and consumer trends).

5) Think again about all company's evolution and strategic choices.

In the long run, a change to a vertical integrated company might happen. In your opinion, is it likely for Maxiprimus to opt by a vertical integrated structure?

First of all, let's consider the Vertical Integration definition. According to Cardeal (2014) it relates to a firm's entry in activities, becoming its own client, own supplier or both.

So, does the future strategic choice relies on Maxiprimus' totally vertical integrated structure? I am not so sure.

Maxiprimus' market history coupled with the internationalization process leaves little doubts that big strategic changes may happen in the future. But both international partnerships and total vertical integration, as stated in the case, are probably not the solution. This does not discard the fact that Maxiprimus evolved a lot all over 14 years, developing a high-quality product, gaining market exposure, production expertise, financial leverage and well-succeed partnerships, but some things such as certifications, better controlling, quality preservation and star products protection may be achieved in different ways.

In my opinion, Maxiprimus, or Primus, as best convenience, has three possible choices:

- 1) Stick with the actual **100% outsourcing system** and facing the problems this might bring as dependence and international expansion barriers;
- 2) Opt for an **almost-vertical-integration** model, establishing long-term agreements with a specific partner and detaining part of the capital of that firm, jointly managing operations with them. Here, Maxiprimus will be allowed to utilize at its mercy the company's facilities and play a role in final decision-making.
- 3) Opt for a **partial-integration** model, continuing to resort to third party's producers and distributors (backwards integration). This brings along the need for investment in a small manufacturing unit but in contrast a choice other than totally integrate activities.

To sum up, several factors should be scrutinized before deciding about a future strategy to Maxiprimus. In the table below, comparisons between the three possibilities are made, since the first one is practically discarded by the company.

	Total Outsourcing	A-V-I	Partial Integration
Microstructure is maintained	✓	✗	✗
External financing probably needed	✗	✓	✓
Production capacity increases	✓	✓	✓
Knowledge-basis is improved	✗	✓	✓
Re-allocation of production is needed	✗	✓	✓
There is a risk of total loss	✓	✓	✗
Improved controlling processes	✗	✓	✓
International certifications	✗	✓	✓
International buyers pleasantness	✗	✗	✓
Development of specific products to specific clients	✓	✓	✓

Ultimately, Maxiprimus growth during the last years was national and international. Concerning this, more advantageous choices rely on an almost-vertical-integrated or partially integrated firm. Both may put at risk the emergence of direct competitors if breaking partnership contracts, because they will most likely continue to produce the same products with no consequences, due to the lack of armoring contracts. However, other product and market opportunities may arise with a new belief, which will be full of new ideas “Made in Primus”.

V. CONCLUSION

General Aspects

Throughout the development of this case, I was able to learn more about the national and international food industry, and how does a company manage its operations in such a saturated sector. The success case of Maxiprimus was developed in 2014 with the personal aim of telling this company's story and analyse all the intelligent market moves taken that led it to the success. Throughout 14 years, I accompanied every step of Maxiprimus lifecycle, arising me the interest to write about this firm. In my opinion, all the effort and difficulties managers confronted over these years have to be addressed in a case study, as it is not common for micro corporations to succeed with so few management tools, being innovation, creativity and strengthening of relationships the main success drivers.

Fundamentally, I perceive the content of Maxiprimus Case Study as a way of giving them a timeless record and a "free consultancy service", performed in the analysis. Other factors such as facilitated availability of information about the company, sector and other players in this industry helped me to write in a comprehensive and clear way.

The case it self was written with the objective of providing information about all the company's strategic route. The literature review and teaching notes were written with the aim of providing lecturers and students an orientation to better analyse Maxiprimus' role in the market, stipulating mandatory strategic concepts that should be applied afterwards when responding to the suggested assignment questions. Considering these, conclusions about different strategic backgrounds, most efficient manners of realizing production and constraints that might happen when a company with such characteristics think about going international, are addressed. Also, a brief macro-environment analysis is made in order to situate the company when it comes to the operating territory and industry.

Limitations

Some limitations about this case must be underlined mainly when it comes to company data. I was not able to access former data about Maxiprimus, since there are no documents that registered some primary actions. Access to the company's official business, strategic or marketing plan was not possible, since a micro-structured company like this never had time to think about creating official documents. In this manner, most of the information written in the case was obtained through personal interviews with the managers or personal elaboration.

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