



**Bachelor Thesis**

**CROSS-BORDER BUSINESS STRATEGIES:  
ANALYZING THE ENTRY OF A GERMAN BEVERAGE COMPANY  
INTO THE SPANISH MARKET**

Faculty of Economics and Business Studies

Bachelor's Degree in Business Administration and Management with International Mention

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## **Abstract**

This thesis explores the internationalization strategy for the German medium-sized enterprise, Loscher Brauerei, with a focus on its product, Club Mate, and its expansion into the Spanish market. The primary objective is to develop a tailored market entry strategy for Club Mate applicable to the Spanish market. The methodology includes a comprehensive literature review on international business strategies, an in-depth case study of Club Mate, and empirical data gathered from expert interviews and market analysis. The research identifies key strengths, weaknesses, opportunities, and threats for Club Mate in Spain. It culminates in strategic recommendations designed to facilitate successful market entry and sustainable growth. These recommendations align with Club Mate's corporate objectives and address the specific demands of the Spanish market. The findings underscore the importance of strategic planning, market analysis, and adaptation to local conditions for companies seeking international expansion. This study contributes to the academic literature on the internationalization of small and medium-sized enterprises and offers practical insights for those aiming to expand into new international markets.

**Keywords:** Beverage Industry Internationalization Strategies, Market Analysis, Market Entry, Small and Medium-Sized Enterprises, Strategic Planning, Vegan Soft Drinks

## **Resumen Ejecutivo**

Esta tesis explora la estrategia de internacionalización de la empresa mediana alemana, Loscher Brauerei, con un enfoque en su producto Club Mate, y su expansión en el mercado español. El objetivo principal es desarrollar una estrategia de entrada al mercado adaptada para Club Mate que sea aplicable al mercado español. La metodología incluye una revisión exhaustiva de la literatura sobre estrategias de negocios internacionales, un estudio de caso en profundidad de Club Mate y datos empíricos recopilados de entrevistas con expertos y análisis de mercado. La investigación identifica las principales fortalezas, debilidades, oportunidades y amenazas para Club Mate en España. Culmina en recomendaciones estratégicas diseñadas para facilitar una entrada exitosa al mercado y un crecimiento sostenible. Estas recomendaciones se alinean con los objetivos corporativos de Club Mate y abordan las demandas específicas del mercado español. Los hallazgos subrayan la importancia de la planificación estratégica, el análisis de mercado y la adaptación a las condiciones locales para las empresas que buscan expandirse internacionalmente. Este estudio contribuye a la literatura académica sobre la internacionalización de pequeñas y medianas empresas y ofrece perspectivas prácticas para aquellas que buscan expandirse a nuevos mercados internacionales.

**Palabras clave:** Estrategias de Internacionalización, Industria de Bebidas, Análisis de Mercado, Entrada al Mercado, Pequeñas y Medianas Empresas, Planificación Estratégica, Bebidas Veganas

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## **Index of Abbreviations**

BSC.....	<i>Balanced Scorecard</i>
<i>CRM</i> .....	<i>Customer Relationship Management</i>
KPI.....	<i>Key Performance Indicator</i>
LB.....	<i>Loscher Brauerei GmbH &amp; Co. KG</i>
R&D.....	<i>Research and Development</i>
SME.....	<i>Small and Medium-Sized Enterprise</i>

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## 1 Introduction

In recent years, the adverse health effects of sugary, artificial beverages have become a significant concern for consumers and policymakers worldwide (World Health Organisation, 2022). Research has highlighted the impact of caloric soft drink consumption on obesity and metabolic disorders (Nissensohn et al., 2017). Obesity is one of the biggest health problems affecting millions of people and children globally (Funtikova et al., 2015; James & Kerr, 2005). This emphasizes the need for healthier alternatives and explains the rising demand for beverages with low or no sugar content, natural ingredients, and additional health benefits such as vitamins (Stracke & Horman, 2022). Concurrently, the rise of veganism and the preference for plant-based diets have influenced consumer preferences, further increasing the demand for beverages that align with these health and ethical standards (Valero-Cases et al., 2023).

Soft drinks are defined as non-alcoholic beverages that typically contain water, a sweetener, and a flavoring agent (Stracke & Horman, 2022). They are often carbonated and can include ingredients such as fruit juice, caffeine, and natural or artificial flavors. Traditionally, soft drinks have been high in sugar and artificial additives, but there is a growing market for healthier alternatives that offer reduced sugar content and natural ingredients (Bundesverband des Deutschen Geträndefachgrosshandels e.V., 2022). Veganism, on the other hand, is a lifestyle and dietary choice that excludes all animal products, including meat, dairy, eggs, and honey (Katharina C, 2020). Vegan products are made entirely from plant-based ingredients, aligning with ethical considerations regarding animal welfare and environmental sustainability. The demand for vegan beverages has surged as more consumers adopt plant-based diets, seeking products that meet their health and ethical standards (Thurm, 2015)

Vegan beverage alternatives have been developed and promoted by many of the small and medium-sized enterprises (SMEs) in Germany's soft drinks market (Wirtschaftsvereinigung Alkoholfreie Getränke e.V., 2024). These enterprises are well-positioned to respond to evolving consumer demands due to their commitment to product innovation, making them significant contributors to the health-conscious segment of the market (Thurm, 2015). However, despite their adaptability, these companies have not yet looked beyond national borders to capitalize on the growing global demand for healthier beverage options (Stracke & Horman, 2022).

The reluctance of these SMEs to internationalize can be attributed to several factors, including the complexity of entering new markets, lack of experience, and limited resources in terms of



finances, expertise, and networks (Laufs & Schwens, 2014). This hesitation is particularly notable in the beverage industry, which faces challenges due to cultural differences in taste, the heavy nature of beverage products and the high volumes in which they are consumed (Stracke & Horman, 2022). These factors make international expansion more complex, as simply exporting the products into new markets incurs high logistical costs and no adaptation to local preferences (Onkelinx & Sleuwaegen, 2010). Additionally, the German market has become saturated in recent years, and competition is rising (Wirtschaftsvereinigung Alkoholfreie Getränke e.V., 2024). Expanding into foreign markets offers the opportunity to mitigate risks associated with domestic market saturation and economic volatility (Leonidou et al., 2007).

In academic research, internationalization processes have predominantly focused on multinational corporations, with considerably less emphasis on SMEs (Musso & Francioni, 2014). Historically, the economic landscape of the mid-20th century was dominated by large multinational corporations, which led research on international business to concentrate primarily on these large entities (Steinhäuser et al., 2021). However, by the late 1980s, the academic perspective began to shift, recognizing the unique capabilities and growing significance of smaller firms in the international market (Steinhäuser et al., 2021). This shift brought attention to concepts like Born Globals, which are smaller firms that engage in international activities from or near their inception, demonstrating rapid and early internationalization as a strategic advantage (Jones et al., 2020). Today, SMEs make up 99.8% of all businesses within the EU and employ around 84 million people, highlighting their economic and social importance in the European market (European Commission, 2023).

Given the significant economic contribution of SMEs and the challenges they face in internationalization, it is crucial to investigate strategies that can support their expansion into foreign markets. This study aims to develop a suitable market entry strategy for a selected SME in the German beverage industry, specifically focusing on its vegan and healthy product, Club Mate, and its potential expansion into the Spanish market (Club Mate, n.d.c). By examining the unique challenges and opportunities faced by SMEs in their quest for international growth, this research provides practical insights and strategic recommendations, contributing to a broader understanding of global market dynamics in the context of health-conscious consumer trends.

To address the complexity of this research question and capture the non-quantifiable aspects, a qualitative research methodology was chosen. This approach allows for a comprehensive understanding of the strategic, organizational, and contextual factors influencing the market entry

process for SMEs. By conducting a detailed literature review and an in-depth case study, including expert interviews, the research captures nuanced insights and practical implications that quantitative methods might overlook.

The structure of this thesis is as follows: The first section explains the objectives of this research and the methodologies employed, detailing how data was collected and analyzed. Subsequently, the existing literature on internationalization strategies for SMEs is reviewed, and a structured model that can be followed by SMEs to develop an international strategy is described. The third section discusses the specific case of Club Mate, examining its current internationalization strategy and proposing a new strategy for international expansion. Finally, the thesis concludes by evaluating the current strategy, comparing it with the newly developed approach presented in the thesis. It offers practical recommendations for SMEs in the beverage industry seeking international expansion and suggests areas for future research.

## 2 Objectives

The primary objective of this paper is to develop an internationalization strategy for a German vegan soft drink entering the Spanish market. To craft an effective market entry strategy, the research is structured around several specific goals:

1. **Investigate Internationalization Strategies for European SMEs:** Understanding how small and medium-sized enterprises in Europe can successfully approach internationalization is crucial for tailoring strategies that fit the unique needs and constraints of SMEs.
2. **Assess the Spanish Market for Vegan Soft Drinks:** Identifying the opportunities and threats in the Spanish market is essential for informing strategic decisions and ensuring a competitive edge for a German SME.
3. **Develop Strategic Objectives and translate them into Strategic Options:** Establishing clear strategic objectives provides a focused direction for the company's efforts and ensures that the final strategy is aligned with both internal capabilities and external market conditions.
4. **Evaluate the current strategy of Club Mate in the Spanish market:** Analyzing the existing strategy allows for a critical comparison and the formulation of recommendations to enhance Club Mate's performance and market penetration in Spain.

### **3 Methodology**

This part details the research methodology used in this study to assess the internationalization strategies of SME, specifically focusing on the German company Loscher Brauerei GmbH & Co. KG (LB) and its product Club Mate. The methodology adopts a qualitative approach that includes two main techniques: a literature review and a case study, which encompasses company analysis and expert interviews.

The choice of a qualitative approach is justified by its ability to explore complex and non-quantifiable aspects of SME internationalization. This approach allows for a comprehensive understanding of the strategic, organizational, and contextual factors influencing the market entry process. The following discussion will detail the methodologies of the literature review and the case study employed in this research.

#### **3.1 Literature Review**

The literature review utilizes a systematic approach to explore existing research on internationalization strategies for SMEs. Scholarly articles, books, and reports were selected based on relevance, methodological rigor, and author credibility. Searches were conducted in databases from Google Scholar and the libraries of the universities of Reutlingen and Comillas, using keywords like "SME internationalization" and "market entry strategies." The literature was thematically analyzed to identify key models and theories, considering aspects such as the impact on SMEs, drivers, internal and external analysis, strategic objectives, strategy development, evaluation, and selection. The theoretical discussions establish a comprehensive foundation, essential for understanding the potential pathways for Club Mate's entry into the Spanish market with a sophisticated internationalization strategy, which will be applied in the case study.

#### **3.2 Case Study**

The case study involves a comprehensive analysis of LB and its product, Club Mate, focusing on their entry into the Spanish market. Information was gathered from multiple sources, including the company's website, news articles, market studies, reports from official institutions like the European Union and Spanish Government. Added to that two expert interviews were conducted, ensuring a thorough understanding of the company's current strategies and the broader market context.

In the first interview with the managing director of the German Chamber of Foreign Trade in Madrid, insights into the broader context of SMEs entering the Spanish market were explored.

During the 78-minute conversation, we discussed the internationalization strategies of SMEs, market conditions, and potential challenges and opportunities in Spain.

The second interview was conducted with a shareholder of Club Mate Spain, focusing on the specific strategies and challenges the company faces in the Spanish market. Over the course of 65 minutes, the interview provided detailed insights into the company's strategic approaches, market entry tactics, brand positioning, marketing efforts, and operational challenges.

Both interviews were structured to cover several key themes, ensuring a comprehensive analysis of the data. These themes included understanding the expert's background and industry experience, gaining practical insights into how SMEs approach global expansion, exploring specific characteristics and trends in the Spanish market, discussing cultural differences and necessary adaptations for successful market entry, and identifying shifts in consumer behavior and market demands that influence strategic decisions.

The interviews provided essential qualitative data, which was analyzed to draw practical insights and inform the development of a tailored internationalization strategy for Club Mate. The managing director offered a broader perspective on the challenges and opportunities for SMEs in Spain, while the shareholder provided specific details about Club Mate's strategies and challenges. The main categories of analysis were:

For the first interview with the Managing Director of AHK

- **Background and Context:** Establishes the credibility and relevance of the expert's insights.
- **Internationalization Strategy of SMEs:** Offers practical examples of how SMEs can successfully expand internationally.
- **The Spanish Market:** Provides essential market-specific insights and characteristics.
- **Cultural Challenges and Adaptations:** Explores the need for cultural sensitivity and adaptation in new markets.
- **Market Trends:** Identifies current and emerging trends that could impact strategic decisions.
- **Outlook:** Assesses long-term opportunities and potential future developments.

For the second interview with the Shareholder

- **Company Background and Mission:** Contextualizes Club Mate's overall strategic direction.
- **Current Market Presence:** Evaluates the effectiveness of Club Mate's existing market strategies.
- **Strategic Objectives:** Defines the long-term goals and priorities for Club Mate's international expansion.
- **Market Entry Strategies:** Explores specific tactics used by Club Mate to penetrate the Spanish market.
- **Brand Positioning and Marketing:** Assesses the effectiveness of Club Mate's branding and promotional efforts.
- **Cultural Adaptation and Localization:** Examines how well Club Mate adapts its approach to fit local cultural norms.
- **Distribution and Supply Chain Management:** Analyzes logistical strategies for ensuring product availability.
- **Competitive Analysis:** Understands Club Mate's positioning relative to competitors in the market.
- **Challenges and Opportunities:** Identifies key obstacles and potential areas for growth.
- **Outlook and Strategic Planning:** Provides insights into future strategic directions and market expectations.

## 4 THEORETICAL FRAMEWORK

### 4.1 Internationalization of Small and Medium-Sized Enterprises

The broad definition of an international business includes any organization whose value chain operates across more than one country (Meckl, 2014). Leonidou et al. (2007) states that from the micro-business perspective, internationalization enhances a firm's financial standing, fosters competitive advantages, broadens managerial expertise, and leads to more effective use of production capacity. In fact, it supports overall company growth and benefits its development on the long term. Shifting to the macro-national perspective, this expansion not only boosts domestic employment and foreign exchange reserves but also spurs the development of new technologies and generates backward and forward linkages in the economy (European Commission, 2023). As this elevates the living standards in both developed and developing countries, international businesses are essential to the prosperity of a nation (European Commission, 2023; Onkelinx & Sleuwaegen, 2008). Consequently, the trend towards expanding business operations across borders has become topic of interest in companies but also for policymakers (European Union, 2012).

Internationalization has emerged as a crucial strategy for enhancing the overall business environment over the long term, not only for publicly listed companies but also for SMEs<sup>1</sup> and startups (Schmid, 2018). SMEs are increasingly operating internationally, driven by the changing dynamics of the global business environment (Onkelinx & Sleuwaegen, 2008). Trade liberalization, such as the common market in the EU, and technological advancements in transportation and communication, have reduced the costs and risks associated with international expansion, thereby making entry into foreign markets more accessible for SMEs (European Commission, 2023; Meckl, 2014).

However, internationalizing business activities still presents significant risks for SMEs due to their unique characteristics that impact strategic decisions. Unlike larger corporations, which typically benefit from economies of scale, substantial financial resources, and advanced technological capabilities, SMEs often operate within more restrictive parameters (Laufs &

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<sup>1</sup> In the European Union, small and medium-sized enterprises (SMEs) are defined as companies with fewer than 250 employees, an annual turnover of up to €50 million, or an annual balance sheet total of up to €43 million (European Commission, 2023).

Schwens, 2014). These constraints influence their organizational structure, managerial approaches, and overall resource availability (Maekelburger et al., 2012). Despite these challenges, SMEs often display superior entrepreneurial energy, adaptability, and flexibility, which can enhance their ability to navigate global markets effectively (European Union, 2012)

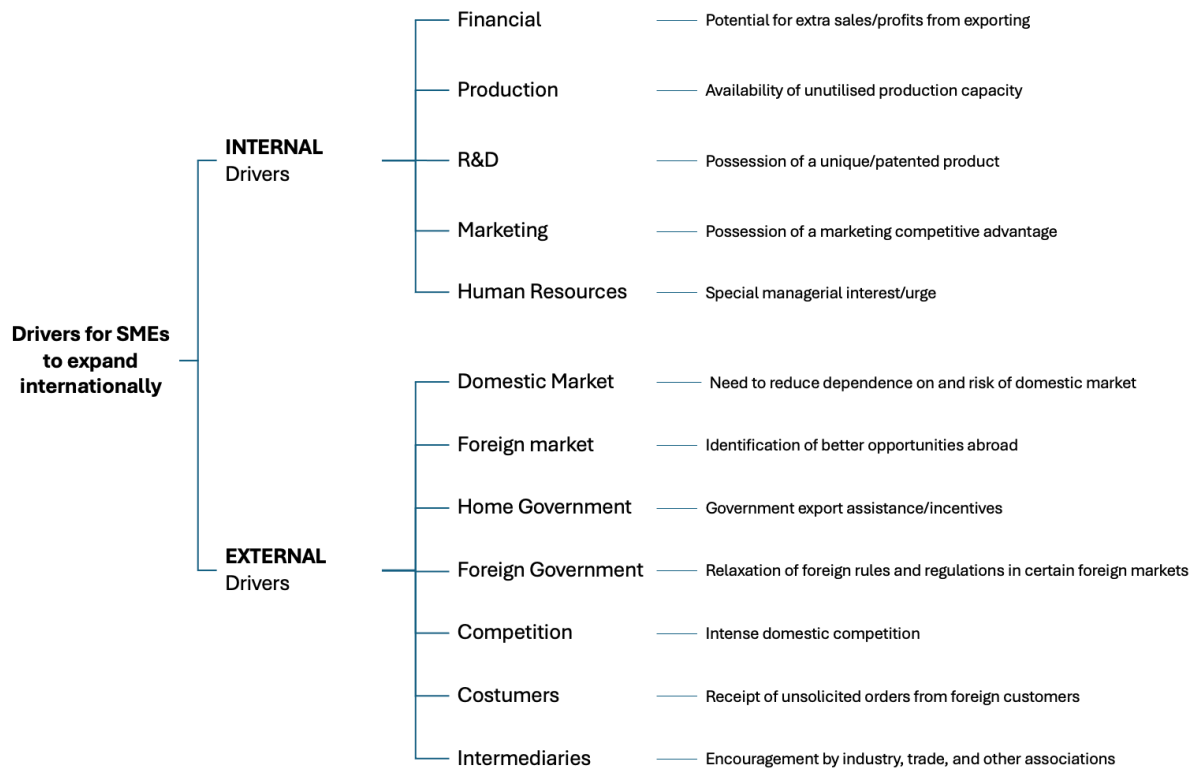
Given these characteristics, the importance of a well-crafted strategy becomes evident in the process of internationalization for SMEs. Strategic planning is essential not only for aligning the internal capabilities of SMEs with external market opportunities but also for overcoming the inherent limitations they face due to their size and use their flexibility as an competitive advantage (Laufs & Schwens, 2014). A strategic approach helps SMEs to systematically assess their strengths, identify suitable markets, manage risks effectively, and exploit international opportunities optimally (Meckl, 2014; Schmid, 2018). In the beginning reasons why, SMEs consider expanding beyond their domestic markets must be understood to define the goal of the internationalization strategy.

#### **4.2 Drivers for Small and Medium-Sized Enterprises to expand international**

When a company decides to expand internationally, it is typically driven by several goals and not only one (M. Roque et al., 2019). These drivers also evolve with time, reflecting changes in the company's internal strategy and external market conditions (Schmid, 2018). Most SMEs initially focus on the local market and after establishing their brand and proving their competitiveness domestically, potential benefits of expanding operations internationally are considered (Onkelinx & Sleuwaegen, 2008). While increasing profits and enhancing competitiveness are a common motivator for international expansion, SMEs pursue global markets for more reasons (Bowen, 2019).

Academic research has offered several classifications of drivers motivating companies to expand beyond their domestic market. Leonidou et al. (2007) offers a widely used categorization aligning with the framework of a company's internal and external environments. In Figure 1 the drivers with the highest impact on SMEs in the conducted study are summarized. Leonidou et al. (2007) systematizes them first into the categories internal and external drivers, and later in more specific subcategories.





**Figure 1: Drivers for SMEs to expand business activities internationally (own graphic based on Leonidou et al., 2007)**

**Internal drivers** include according to Leonidou et al. (2007) factors inherent to the firm that can facilitate or impede international expansion. *Financially*, the potential for extra sales and profits from expanding can push companies to venture into international markets to enhance their revenue. In terms of *production*, the accumulation of unsold inventory might force a company to seek new markets to manage overproduction issues effectively. From a *research and development* (R&D) perspective, possessing proprietary technical knowledge provides a strong incentive for companies to expand internationally to capitalize on their technological edge. In *marketing*, the ability to easily adapt marketing strategies for foreign markets enables companies to efficiently extend their global footprint. A study conducted in Spain by Fernández-Ortiz & Lombardo (2009) shows that *human resources*, especially managers, of SMEs have significant influence on the ability and motivation of the internationalization, through their level of language and the experiences already made in foreign markets. The more experience directors have with internationalization and the target market, the more likely they decide to internationalize and do it more rapidly.

The **external drivers** refer to various factors beyond the firm's immediate control, influencing the decision to expand across borders. The saturation or shrinkage of the *domestic market* often

forces companies to look abroad for growth opportunities to mitigate risks associated with over-reliance on their home market. Similarly, unfavorable economic conditions and competitive domestic markets, where the entry of foreign *competitors* or intensified local competition occurs, can spur firms to explore international markets. In *foreign markets*, exclusive information about overseas opportunities or close physical proximity to these markets can act as catalysts for international expansion. *Government policies* also play a critical role as both, home and foreign governments can facilitate internationalization through export incentives, trade missions, and the relaxation of trade barriers such as tariffs and regulations. External *intermediaries* like industry associations, financial institutions, and trade agents often encourage firms to internationalize by providing essential support and information. Additionally, interactions with foreign *customers*, whether through unsolicited orders or contacts made at international trade fairs, can prompt companies to consider entering those markets.

Whether driven by external or internal factors, these drivers significantly influence the definition of strategic objectives during the strategy development process, making it crucial for SMEs to understand these drivers to determine which objectives can be realistically pursued in the process of internationalization (Bowen, 2019; Meckl, 2014). Overall, the differences in drivers underscore the importance of a individualized strategy. Due to the variations in motivation and company characteristics, it is essential to tailor strategies to each company's specific context, as a "one size fits all" approach is ineffective (Sure, 2017). The following section examines the theoretical foundations for developing an individualized strategy.

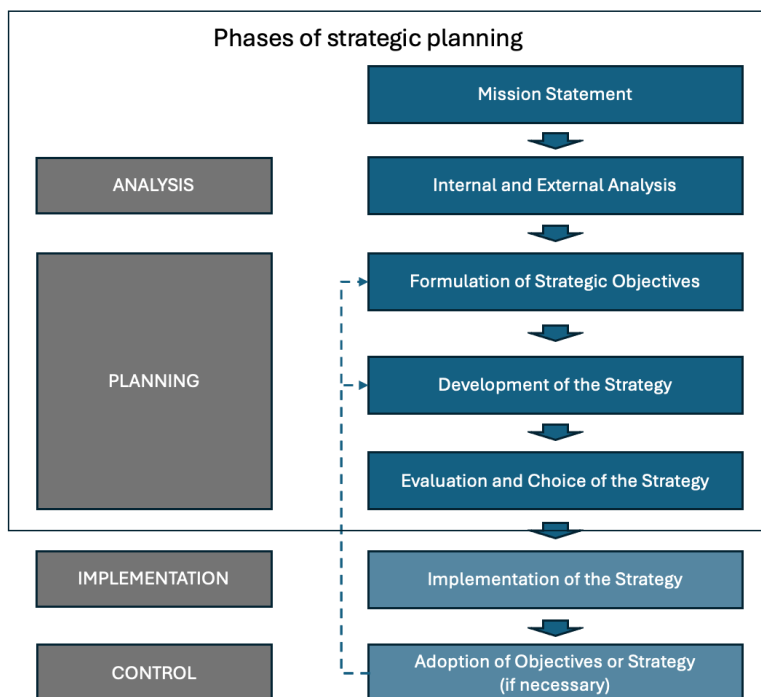
### **4.3 Phases of planning an Internationalization Strategy**

The development of a market entry strategy typically follows a structured approach, given the complexity and multitude of aspects that must be considered. With greater interest of academic research in this process, various strategic planning models became available to guide this expansion across borders. "Today, numerous strategic planning process models are available, mostly following a common approach: most models include the development of a mission statement, followed by analysis, constructing and implementing goals, objectives and strategies." (Nieboer, 2011, p. 373). For SMEs, it is important to have a simple but holistic model to follow as the depth and amount of resources put into the development of the market entry are usually lower (Laufs & Schwens, 2014). Meckl (2014) provides a model (erfüllen) the characteristics provided by Niebor (2011) and simplicity for resource limitations in terms of finances, time, and knowledge (Laufs & Schwens, 2014).

In Figure 2 the model from Meckl (2014) is shown in a slightly adapted version. The strategy formulation process is divided into five distinct phases:

- Phase 1: Mission Statement
- Phase 2: Internal and External Analysis
- Phase 3: Formulation of Strategic Objectives
- Phase 4: Development of the Strategy
- Phase 5: Evaluation and Choice of the Strategy

After these five phases an individualized strategy is developed. The two following steps are its implementation and control. But the objective of this research is to identify an appropriate strategy for the internationalization of SMEs. The implementation and subsequent control of the strategy occur afterward and are not within the scope of this research.



**Figure 2: The seven Phases of planning an international strategy for a SME (own graphic based on Meckl, 2014)**

### **Phase 1: Mission Statement**

Originally, the model by Meckl (2014) does not include this initial step because a company's mission statement is not solely part of the internationalization process but influences the overall strategy and often already exists when pursuing international expansion. However, defining a mission statement is included in numerous models, as it can evolve with the decision to become

international and forms the foundation of every strategic decision (Nieboer, 2011). Therefore, it is placed at the beginning of the phase model, as visualized in Figure 2.

According to Kotler et al. (2022), the mission statement is a clear, concise, and enduring declaration of the reasons for an organization's existence, often referred to as its core purpose. It underlines the organisation's uniqueness and identity (Alegre et al., 2018). A well-articulated mission statement provides company employees and management with a shared sense of purpose and direction. Often its also used by the marketing department transferred into a simple but effective message, like Apple does with „Think Different“ or Bayer with „Science for a better Life“ (Sure, 2017). It sets the main direction for crafting any strategy in the company, including the internationalization strategy (Nieboer, 2011).

To define the mission statement a company can answer Druckers (1999) fundamental questions: *What is our business? Who is our customer? What is the value to our customer? What will our business be? What should our business be?* Respond to these questions can be difficult for companies of all sizes (Kotler et al., 2022). Successful companies continuously engage with these questions to ensure their mission remains relevant and dynamic. Kotler et al. (2022) gives the advices that a robust mission statement should focus on a limited number of specific goals, underscore the company's major policies and values, define the major markets the company aims to serve, and maintain a long-term perspective while being short, memorable, and meaningful. The well crafted statement is crucial, as the strategy will be the plan of action to realize this mission (Onkelinx & Sleuwaegen, 2008).

## **Phase 2: Internal and External Analysis**

When drawing up the plan of action, both external and internal factors influence its development. These factors can positively or negatively affect the realization of the SME's mission and can be leveraged to its advantage when considered in the strategy (Onkelinx & Sleuwaegen, 2008). The SWOT analysis is a well-known tool in strategic management for analyzing a company's internal factors and external environment (Namugenyi et al., 2019; Rakhmansyah et al., 2022). SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. Due to its simplicity, resource efficiency, and holistic approach, this analysis method is particularly well-suited for SMEs (Quezada et al., 2009).

The information considered should be both quantitative and qualitative. However, conducting a SWOT analysis in a new territory is more challenging due to the lack of existing data and

experience within the company (Meckl, 2014; Rakhmansyah et al., 2022). SMEs often struggle to obtain individualized data, such as for a niche market, due to financial constraints and limited networks. But public market studies, sources published by governmental institutions, and the chambers of foreign trade and industry associations often provide a solid foundation (Namugenyi et al., 2019).

Internally, the SWOT analysis examines a company's strengths and weaknesses. Strengths might include advanced technology, a skilled workforce, or innovative capacity—intrinsic capabilities that provide a competitive advantage (Schmid, 2018). Czinkota & Ronkainen (2007, p. 196) describe the internal analysis identifying strengths as “a reality check for any strategic choice, in that they determine a company's capacity for establishing and sustaining competitive advantage within global markets.” The transferability of these strengths to a new environment is crucial (Meckl, 2014). Weaknesses are internal deficiencies that could hinder the firm's ability to achieve its strategic objectives, such as resource limitations, low productivity, or gaps in expertise (Onkelinx & Sleuwaegen, 2008). For resource-limited SMEs, it is crucial to be aware of these internal elements, as this awareness allows them to leverage strengths to maximize their competitive edge and address weaknesses to avoid potential failures.

Externally, the SWOT analysis focuses on opportunities and threats present in the current and prospective environments (Namugenyi et al., 2019). Opportunities may arise from market gaps, economic trends, or technological advancements that the company can exploit (Schmid, 2018). Threats involve external challenges such as increasing competition, regulatory changes, or economic downturns that could impede the company's success (Onkelinx & Sleuwaegen, 2008). In analyzing a foreign market, political-legal and socio-cultural factors become even more significant than in domestic market analysis. As the degree of difference between the two markets increases, the complexity and difficulty of creating a strategy also rise (Sure, 2017). By identifying external factors, companies can strategize to capitalize on opportunities and mitigate the risks posed by threats (Meckl, 2014).

The results of the SWOT analysis can help SMEs identify markets with high potential and also those with prohibitively high entry barriers, that should be immediately rejected (Meckl, 2014). The potential to create and utilize a competitive advantage in a new market is a significant criterion for market selection and should be a core component of the implemented strategy. An

enterprise can only realize its mission and achieve long-term success if it maintains a competitive advantage that aligns with the appropriate environment (Schmid, 2018).

**Phase 3: Formulation of Strategic Objectives**

Based on the information obtained from the internal and external analysis and the company's overall objective defined in the mission statement, realistic strategic objectives should be set in the next step (Nieboer, 2011). According to Meckl (2014), "realistic" means that internal factors, such as resource potential or the company's competitiveness, indicate that the objective can be achieved within the defined timeframe. The specific objectives formulated in this step all contribute to reaching the primary goal: the company's mission.

A SWOT analysis identifies strengths, opportunities, weaknesses, and threats. In the subsequent step, a SWOT matrix helps generate strategic objectives by combining internal factors with the external environment, as shown in Figure 3 (Mirzakhani et al., 2014). Various objectives should be formulated within each strategic area:

- *SO-objectives* focus on leveraging internal strengths to capitalize on external opportunities.
- *WO-objectives* are designed to mitigate internal weaknesses to better utilize available opportunities.
- *ST-objectives* aim to neutralize external threats by harnessing internal strengths.
- *WT-objectives* concentrate on reducing weaknesses to enhance resilience against external threats.

Internal	<b>Strengths</b>	<b>Weaknesses</b>
External	<b>Opportunities</b> SO objectives	<b>WO objectives</b>
	<b>Threats</b> ST objectives	<b>WT objectives</b>

Figure 3: The SWOT Matrix (own graphic adapted from (Mirzakhani et al., 2014))

Once the strategic objectives have been defined in the SWOT Matrix, a balanced scorecard (BSC), introduced by Kaplan and Norton in the early 2000s and widely used across various fields of business administration, can be employed to define specific measures for achieving

these objectives (Valiris et al., 2005). In Figure 4 the BSC is depicted, demonstrating how a company's mission and strategy are translated into smaller, actionable objectives. It also outlines specific measures to achieve these objectives and defines key performance indicators for each component (Boersch & Elschen, 2007). Unlike previous models, the BSC considers not only the financial perspective but also the internal perspective, customer perspective, and learning and growth perspective. By incorporating these three additional viewpoints and being aware of its interdependencies, management ensures the long-term success of the company, as it balances short-term financial goals with broader, sustainable objectives (Boersch & Elschen, 2007).

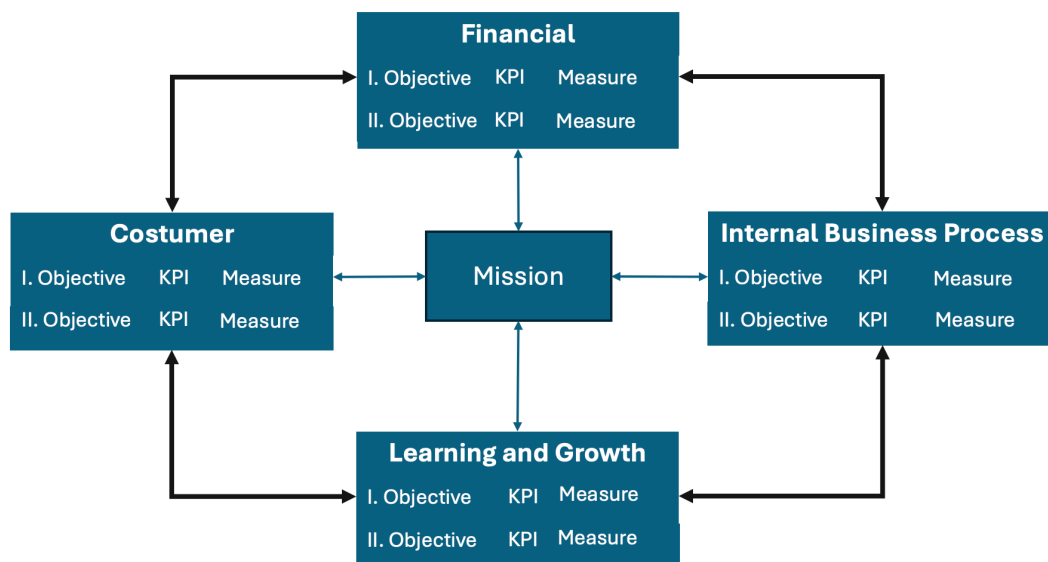


Figure 4: Balanced Scorecard for the development of strategic objectives (own graphic based on Friedag & Schmidt, 2015)

All objectives related to the company's **financial perspective** are in one category. These can be linked to the revenue growth or profitability ratios such as return on investment. The financial indicators remain an important dimension as they showcase the economic situation of the company and so reflect if the other three categories are effectively working (Boersch & Elschen, 2007; Friedag & Schmidt, 2015).

In the category of **customer perspective**, the objectives are related to the customers a company creates value for and the market segment it operates in (Valiris et al., 2005). Strategic objectives are for example customer satisfaction and loyalty but also market share in the operating segment (Boersch & Elschen, 2007).

Objectives in the **internal business process perspective** are about the critical internal processes in which the organisation must excel. These processes have to satisfy customers in the future through enhancement of the existing solutions but also development of new innovative satisfactions (Friedag & Schmidt, 2015). The focus is on the company's research and development processes, with strategic targets for criteria like quality, response time and the introduction of new products (Boersch & Elschen, 2007).

The **learning and growth perspective** includes the identification of infrastructure that the organisation must build to reach the objectives in the other three categories and create long-term growth and improvement (Valiris et al., 2005). The strategic objectives should be related to the three principal sources of learning and growth in a company: people, systems and organisational procedures .

When all objectives from the SWOT matrix are divided into smaller components and categorized within the BSC, the next step is to identify specific measures and suitable key performance indicators (KPIs) to make the progress measurable (Quezada et al., 2009). Assigning a KPI to each strategic objective is crucial for monitoring and controlling the strategy post-implementation (Meckl, 2014). Management literature provides a wide range of KPIs from which SMEs can choose, requiring minimal effort. However, SMEs can also define individual KPIs, provided they effectively measure performance (Friedag & Schmidt, 2015).

Additionally, the time variable must be defined for each objective to determine strategic options. According to the creators Kaplan & Norton (2007), the BSC should include about 20 to 25 different objectives. In practice, management often defines more measurements, which increases complexity and makes it challenging to maintain focus during the subsequent development of the strategy (Valiris et al., 2005).

#### **Phase 4: Development of the Strategy**

According to Meckl (2014) Strategy development involves assembling the components of the final action plan, which represents the overall strategy, in a logical sequence. Multiple alternative strategies should be developed to facilitate the selection of the best one in the subsequent evaluation step. In the context of international strategy development, the process typically begins with identifying suitable strategy types, followed by selecting target markets, determining the mode of market entry, and finally, timing the market entry. In this thesis, the target market of Spain has already been predetermined, so this second step will be skipped.



*Phase 4.1: Choosing a strategy types of the Bartlett/Ghoshal concept*

The external analysis helps SMEs defining their focus of international operations, that is appropriate to the environment faced. Two major dynamics can be observed in the new environment: the pressure to reduce costs and the pressure to adapt products. Depending on the market and industry, both criteria are pronounced to varying degrees (Onkelinx & Sleuwaegen, 2008). Strategy types conceptualized by Bartlett & Ghoshal (1990) serve as an orientation for the basic structure of the strategy, responding to these two characteristics. The firm's internationalization strategy emerges from balancing the advantages of global integration (cost efficiency) against the costs of local responsiveness (local adaption) (Onkelinx & Sleuwaegen, 2008). In Table 1 the four different strategy types, introduced by Bartlett and Ghoshal are compared in its key parameters and will be explained in detail subsequently.

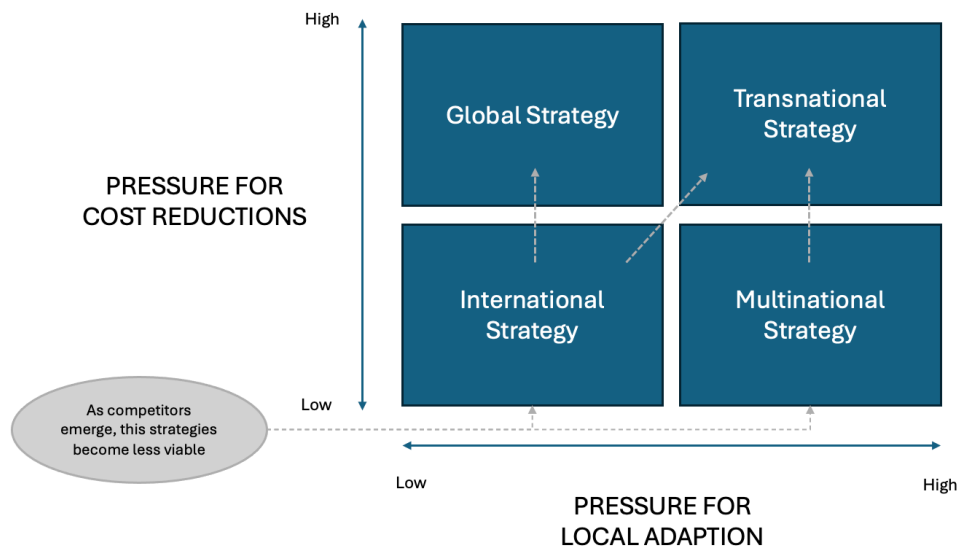
Strategy type	<b>Global</b>	<b>Multinational</b>	<b>International</b>	<b>Transnational</b>
Main characteristics	Standardization of the product to reduce costs	Adaptation to the specifics of the markets	No pressure for adaption or reduce costs, direct transfer of resources	Equilibrium between adaption and cost reduction
Cost efficiency	High	Low	Low	High
Adaptation	Low	High	Low	High
Advantages	Scale effects, cost reduction, less complexity in management	Exploitation of market potential, learning effects	Low additional effort in new market	Standardization for scale effects, Differentiation meeting demands
Disadvantages	Heterogeneous customer preferences, inflexibility	Increased Complexity, advanced costs, low volumes	Only possible in a few markets usually without competitors	Complex control, rarely consistent implementation
Suitability for SMEs	Less suitable	Suitable	Suitable in some markets	Can become Suitable

**Table 1: Overview of the four types of internationalization strategies from Bartlett/Ghoshal (own table)**

- **International Strategy:** This strategy is used when the pressure for local adaptation and cost reduction is low. It involves transferring the parent company's structures, processes, and resources directly into the new market without changes (Meckl, 2014). Known as the export strategy, it's common among SMEs in niche markets with limited competition or homogeneous needs, as products or services are not adapted (Onkelinx & Sleuwaegen, 2008). Examples include specialized machinery markets dominated by mid-sized German engineering firms (Sure, 2017). Companies develop products in their home country and may establish production, sales, and marketing units abroad, but operations remain under strict headquarters control (Meckl, 2014).
- **Global Strategy:** This strategy focuses on standardization to enhance cost efficiency by offering identical products or services in all markets (Sure, 2017). Local differences in product design or marketing are not considered to reduce complexity and maintain control within the parent company (Meckl, 2014). The goal is to reduce costs and maximize benefits through economies of scale (Hill, 2008). However, the lack of local adaptation may not fully meet local consumer needs and allows competitors to enter the market more easily. This strategy is effective in industries with consistent demand across countries, like the automobile or technology sectors (Hill, 2009), and is often used by large multinationals with substantial resources (Sure, 2017).
- **Multinational Strategy:** This strategy is chosen when there are diverse market demands, and the company needs to adapt locally, but the pressure to reduce costs is low (Hill, 2008). Each country operation is tailored to meet specific local needs, with subsidiaries operating independently with their own marketing, development, and distribution activities (Sure, 2017). This approach fosters significant market penetration and facilitates learning transferable to other markets (Meckl, 2014). However, it increases complexity and costs (Sure, 2017). This strategy is often used in less competitive environments where price significantly impacts buying decisions and is exemplified by Procter & Gamble, which adapts products and marketing strategies to local preferences (Hill, 2008).
- **Transnational Strategy:** This strategy combines local responsiveness with global efficiency by integrating value creation processes (Meckl, 2014). It involves decentralizing customer-oriented activities like marketing to meet local needs while centralizing production and R&D to achieve economies of scale (Hill, 2009). For example, Caterpillar produces standardized components centrally and adds local components to meet specific

consumer needs (Sure, 2017). The complexity lies in building a globally integrated network that is both centralized and decentralized, adapting to international market dynamics (Meckl, 2014).

Each strategy offers different advantages depending on the industry's global drivers like market, cost, government, and competition (Yip, 2003). For SMEs, choosing between these strategies involves considering factors like the drivers of global integration discussed in chapter 4.2 - such as increasing competition, shortening product life cycles, and the need to leverage core competencies (Onkelinx & Sleuwaegen, 2008). Considering these drivers and the external environment, the SME decides whether it prioritizes lower operational costs through global integration or aims for higher revenues through local responsiveness, and so determines its placement within one of the four quadrants illustrated in Figure 5. Most SMEs opt for either an international or a multinational strategy based on complexity and local market needs. As also shown in Figure 5, the transition to a transnational strategy can be considered later as the company seeks to integrate more value chain activities (Hill, 2008).

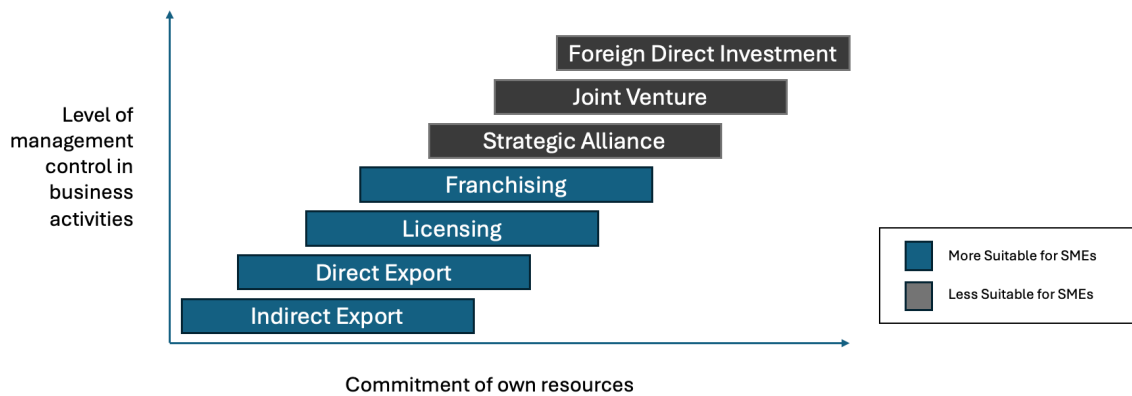


**Figure 5: The four types of internationalization strategies from Bartlett/Ghoshal (own graphic adapted from Meckl 2014; Hill, 2009)**

*Phase 4.2: Selection of the Entry Mode*

SMEs can choose from various entry modes, including export, licensing, franchising, joint ventures, or wholly owned subsidiaries through foreign direct investment (Sure, 2017). Figure 6 systematically organizes these modes based on the degree of control and the level of resource

commitment. Typically, high-control entry modes, such as wholly owned subsidiaries, are preferred over low-control modes, such as export. However, due to limited resources, SMEs often cannot opt for high-control modes.



**Figure 6: Forms of market entry systematized according to the criteria of control and resource commitment (own graphic adapted from Sure 2017)**

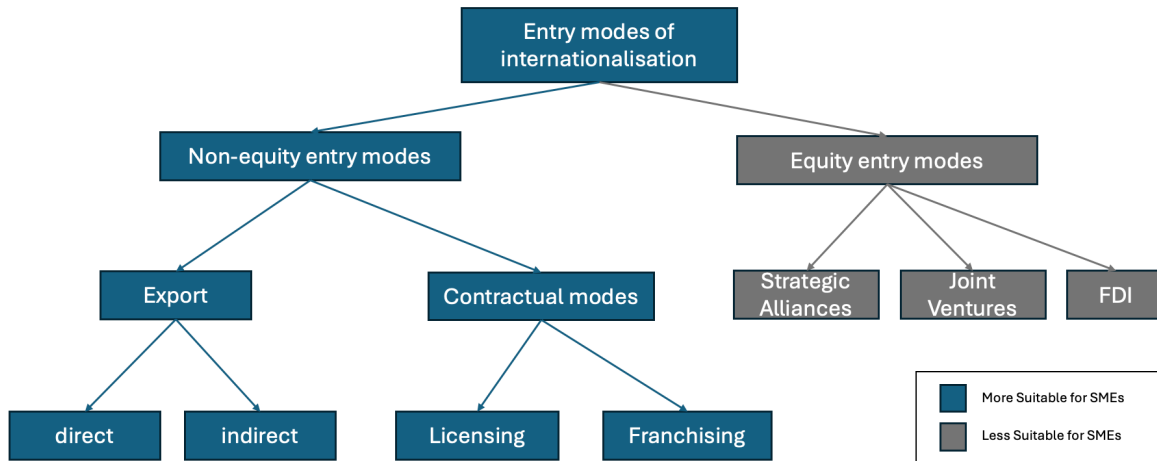
The selection process depends significantly on internal and external factors. Internally, factors such as the company's size, financial and organizational resources, and risk-taking behavior are crucial (Onkelinx & Sleuwaegen, 2008). Externally, market characteristics, cultural differences, and entry barriers influence the choice (Schellenberg et al., 2018). Selecting the right entry mode involves systematically comparing alternatives and choosing the one best suited to the specific internal and external circumstances (Musso & Francioni, 2014).

- **Export:** This mode is often the first step for SMEs in international expansion and can be direct to the customer or indirect through intermediaries. Indirect exporting benefits from intermediary expertise, less resource use, and reduced risk but involves higher costs and less customer contact, hindering learning (Dinu, 2018; Sure, 2017). Direct exporting provides greater control and avoids intermediary costs but requires market knowledge and involves higher risks related to market acceptance and logistics (Sui & Baum, 2014). Both modes require strong marketing efforts to build brand awareness (Berndt et al., 2023).
- **Licensing and Franchising:** Licensing allows SMEs to grant foreign companies rights to manufacture and sell their products, offering a low-risk entry with secure cash flow without extensive overseas operations (Sure, 2017). Franchising extends this by licensing an entire business model (Dinu, 2018). However, the brand must be well-known to

attract partners, and risks include loss of know-how, product imitation, and reputation damage due to less operational control (Berndt et al., 2023).

- **Joint Ventures and Strategic Alliances:** Joint ventures involve pooling resources with another company to create a new entity, allowing access to new markets and shared risks but requiring high resource commitment and aligned goals to avoid conflicts (Lu & Beamish, 2006; Fuchs, 2022). Strategic alliances are agreements to pursue shared objectives while remaining independent, enabling access to new technologies and distribution channels without large capital investments (Sure, 2017). However, these can result in less control, cultural misalignments, and dependency risks, impacting flexibility (Dinu, 2018; Sure, 2017).
- **Foreign Direct Investment:** Establishing a wholly owned subsidiary involves significant investment, offering complete control over operations and full transfer of company culture and practices (Sui & Baum, 2014; Sure, 2017). Due to its high resource demand, this mode is more often chosen by larger companies and is less suitable for most SMEs (Onkelinx & Sleuwaegen, 2008).

Being aware of the options, the selection of an entry mode should adhere to the process illustrated in Figure 7. According to (Maekelburger et al., 2012) the first decision in the process should be made between equity entry modes and non-equity entry. Even if the equity entry modes are efficient, for SMEs these are in most of the cases not an option because of the high financial commitment. Secondly the SMEs decides between the options Export or contractual mode, in alignment with the strategic objectives and operational capabilities (Musso & Francioni, 2014). Lastly it decides for the specific Type of Export (direct or indirect) or specific form of contractual mode (licensing or franchising). According to a study made by Onkelinx & Sleuwaegen (2010) SMEs generally tend to select exporting as an initial step into internationalization. Longer than five years existing SMEs often choose the indirect form due to less risk and no experiences. Also is in the study the probability higher of exporting SMEs to establish global value chains and use imports from the foreign market in its advance to reduce costs.



**Figure 7: Decision Process for the selection of the appropriate mode (own graphic)**

*Phase 4.3: Decision of the Timing of Market Entry*

In the development of the strategy the aspect of timing is connected to the right timing of market entry into the new market and usually depends on the forecasted developments in the new market from the SWOT analysis (Meckl, 2014). It's a crucial decision in the process as the choice of when to enter a market can significantly impact an SME's ability to compete and succeed in the new market (Onkelinx & Sleuwaegen, 2008).

The timing of market entry relative to the competition is generally categorized into two strategies: *Pioneer-strategy* and *Follower-strategy* (Meckl, 2014). *Pioneers*, by entering a market first, can establish strong brand recognition, set industry standards, and potentially block subsequent entrants through the establishment of high market entry barriers, creating a significant competitive advantage (Sure, 2017). This strategy is particularly vital in technology-driven industries, such as the smartphone market, where early entrants like Apple have managed to secure substantial market shares by setting product standards and securing customer loyalty, also by creating high transition costs (Flor & Moritzen, 2020). However, the costs associated with pioneering, like higher marketing and adaptation expenses due to the lack of market familiarity and therefore the need of educating the customer, can be substantial (Sure, 2017).

Conversely, *followers* can benefit from the groundwork laid by pioneers by learning from the pioneers' mistakes and leveraging established distribution channels and customer awareness without the significant initial costs of market education (Meckl, 2014). This approach can be

more resource-efficient and allows for adaptations that better meet the local market needs. However, followers face potential disadvantages such as the need to overcome the before mentioned entry barriers, established by pioneers, and the possibility of being perceived as a second choice by consumers (Sure, 2017).

As both approaches have their advantages and disadvantages the decision must be made by the company individually. Although less resources will be needed in the *following strategy*, overcoming high market entry barriers established by the pioneer can hinder SMEs in the process of internationalization (Meckl, 2014; Onkelinx & Sleuwaegen, 2008).

Furthermore, when planning to enter several international markets, a decision about the timing for entering each market has to be made. The literature differentiates between two major types: the *waterfall* and *sprinkler strategy*. The *waterfall strategy* involves entering markets sequentially, presented simplified in the left square of Figure 8. It allows companies to scale their operations based on the learning and resources accrued from each market before moving on to the next (Meckl, 2014). This method is particularly suited to SMEs due to its more manageable resource requirements and the ability to adjust strategies based on earlier market experiences (Sure, 2017). The right square of Figure 8 visualizes the *sprinkler strategy*. This involves entering multiple markets simultaneously. This approach can quickly increase market presence and capitalize on global product launches to maximize cash flows and market penetration (Kalish et al., 1995). However, it requires more substantial resources and a broad understanding of multiple markets, which is challenging for SMEs (Sure, 2017).

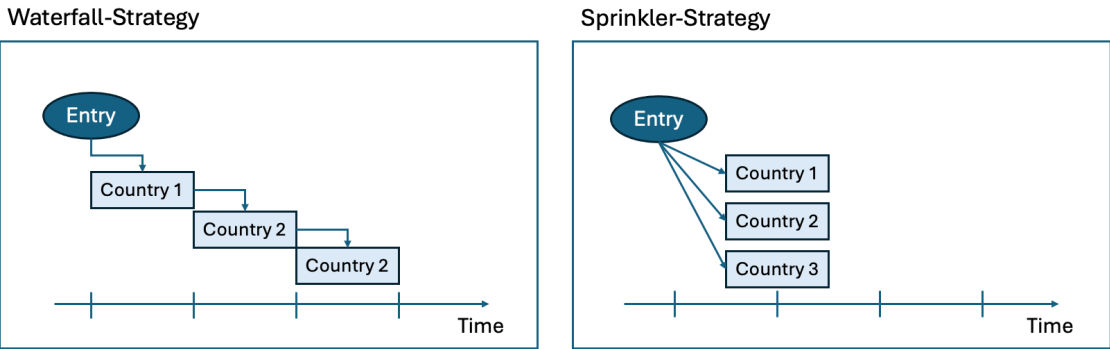


Figure 8: Waterfall and Sprinkler Strategy (Own graphic based on Meckl (2014))

## **Phase 5: Evaluation and Choice of the Strategy**

In the final phase of the model from Meckl (2014), crafted options must be evaluated to select the most promising one. The selection process should involve ranking the various alternatives, prioritizing the strategy that aligns most closely with the defined strategic objectives.

Numerous models and evaluation procedures exist for choosing and assessing strategic options. Quantitative models involve developing a business plan for each strategic option and comparing the alternatives based on expected cash flow (Meckl, 2014). However, these purely mathematical methods are limited by the quality of the data used. As discussed in previous chapters, SMEs often lack the resources to invest in specific market research, leading to reduced data quality. Additionally, the high uncertainty of foreign markets and the lack of expertise within SMEs to accurately assess these markets make purely quantitative models less suitable. While these models can simplify the selection process with their clear structure and fixed results, they may overlook essential and impactful characteristics (Meckl, 2014; Onkelinx & Sleuwaegen, 2008).

### **4.4 Strategy Development for Small and Medium-Sized Enterprises**

Developing a strategy for SMEs is a complex process that requires careful consideration of numerous factors. SMEs face significant constraints due to their limited experience in international markets, smaller networks, and fewer available resources compared to larger firms. However, these obstacles can be mitigated by following a phased model of Meckl (2014) and crafting a tailored strategy. This approach results in a highly individualized strategy that must be implemented and monitored in subsequent steps. Although the process is complex and fraught with risks, internationalization offers substantial benefits. A well-designed strategy can reduce long-term risks by diversifying operations and decreasing dependence on any single market.

Policy can significantly aid SMEs in their internationalization efforts. Onkelinx and Sleuwaegen (2008) propose several measures to support SMEs expanding across borders. First, increasing awareness of the benefits of internationalization among non-exporters is essential, as many SMEs have not considered this option. Government support should be tailored to SMEs at different stages of internationalization. Effective policies should focus on developing the necessary skills and knowledge for international operations. This includes providing access to information, competency development, and hands-on, individualized services such as export devel-



opment advice, establishing subsidiaries abroad, identifying partners, and legal advice. Customized support, rather than generic assistance, better meets the diverse needs of SMEs. Additionally, reducing administrative burdens, simplifying regulations, and lowering entry barriers are critical to facilitate SMEs' entry into international markets. Collaboration with multinational enterprises and developing clusters can help SMEs by linking them with established networks and sharing resources.

Government programs should also include monitoring and follow-up mechanisms to ensure the effectiveness of support measures. This long-term follow-up can enhance the impact of the assistance provided to SMEs, ensuring sustained growth and successful internationalization. By implementing these policy recommendations, governments can create a supportive environment that encourages SMEs to explore international markets, ultimately contributing to broader economic growth and development (European Commission, 2023).

## 5 CASE STUDY: The Internationalization Strategy of the German SME

After discussing the theoretical foundations of internationalization strategies for SMEs, we transition to a practical application in the case study. It explores the implementation of these theories in Club Mate's expansion into the Spanish market. Using strategic frameworks and analysis tools, the study examines Club Mate's current market position, identifies opportunities and challenges, and develops an internationalization strategy.

### 5.1 History of Club Mate

Club Mate's origins trace back to the late 19th century in Bavaria, Germany, where Georg Latteier operated a small beverage company. The turning point for what would become Club Mate came in 1924, when Latteier discovered the beverage "Sekt-Bronte" at an exhibition. Recognizing the potential of this non-alcoholic, sparkling drink made from yerba mate, valued for its stimulating properties and health benefits by the indigenous Guaraní communities in South America, Latteier acquired the license to produce and distribute Sekt-Bronte. The drink quickly gained popularity due to its refreshing taste and health-associated properties, particularly in the summer, and was advertised as health-promoting and stimulating (Club Mate, n.d.c).

The transition from Sekt-Bronte to Club Mate occurred many years later, after interruptions in production due to World War II (Laaff et al., 2011). Following the war, demand for the drink justified its revival. In 1957, Hans Sauernheimer, who married Latteier's daughter, modernized production, expanded distribution across Germany, and significantly contributed to its growth. In 1994 BL took over production in Münchsteinbach, officially renaming the drink Club Mate (Club Mate, n.d.a). Figure 9 summarizes the key milestones in the history of Club Mate.

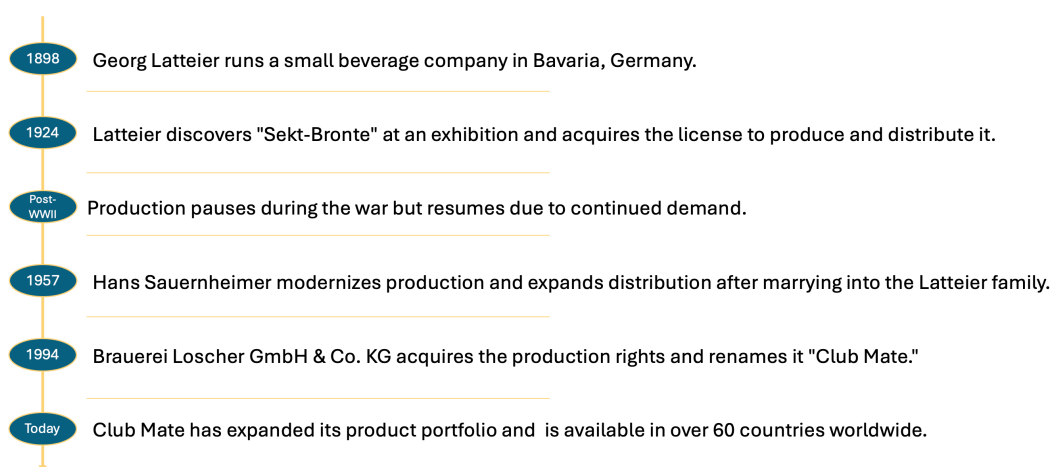


Figure 9: Main Events in the History of Club Mate (own graphic)

Today, Club Mate offers variations of the original product. Figure 10 shows the whole portfolio available in Germany including variants like Club Mate Granat (pomegranate), Club Mate Cola, Club Mate Ice Tea Kraftstoff (with more caffeine), Club Mate Winter-Edition (seasonal), and Club Mate Zero (sugar-free) (Club Mate, n.d.d). Most variants are available in 0.5-liter resealable glass bottles, while Club Mate Cola and the original flavor are also available in 0.33-liter glass bottles.



Figure 10: Club Mate product portfolio, from left to right: Original, Zero, Cola, Granat. Ice Tea, Winter-Edition (Club Mate, n.d.c)

Typically, Club Mate is purchased as single bottles for immediate use or in returnable beverage crates containing 20 bottles, as shown in Figure 11. Prices range from €1.10 in supermarkets to €2.00 in smaller shops or kiosks (REWE, n.d.). Prices vary significantly in bars, restaurants, and clubs, especially when served with alcohol (Seeger, n.d.).



Figure 11: Online shop of a German Supermarket selling Club Mate in returnable beverage crates (REWE, n.d.)

## 5.2 Business Model of Club Mate

In the following section, a Business Model Canvas is applied to Club Mate to analyze its various business aspects and how they contribute to its overall strategy and market presence in Spain.

- **Customer Segments:** Club Mate targets health-conscious individuals who prefer natural, vegan products. The primary customers are young adults to middle-aged consumers with active lifestyles. The shareholder explains, "Our ideal customers are men and women aged 20 to 45 who are culturally and socially active, searching for a natural energy source in their daily lives."
- **Value Proposition:** Club Mate offers a distinctive, healthy, vegan, and all-natural beverage that provides a unique taste experience (Scheele, 2010). The product's stimulating properties, derived from yerba mate, cater to consumers seeking an alternative to traditional caffeinated and energy drinks. The shareholder mentions, "Club Mate has an energizing effect besides numerous other functionalities that yerba mate brings to the drink. It's carbonated, contains less sugar compared to typical soft or energy drinks, and is alcohol-free. It serves as a natural source of caffeine and is entirely vegan." Additionally, it is produced using green energy in Germany (Club Mate, n.d.d).
- **Channels:** "We have three pillars for our sales here: online sales, direct selling points to restaurants, bars, and clubs, and collaboration with a major distributor in Barcelona" (Shareholder). According to him the biggest volume is made with the distribution through the distributor. He only operates in Barcelona, leaving bigger urban areas like Madrid and all rural areas unserved.
- **Customer Relationships:** The brand relies heavily on word-of-mouth marketing, fostering a strong fan community. This approach has built a loyal customer base, particularly within niche communities like the hacker community and political left-wing parties in Germany (Sorge, 2012). "In Germany, the drink became popular through communities, especially in culturally and politically active groups. Many customers in Spain were part of these groups but moved here and didn't want to stop consuming Club Mate," explained the shareholder.
- **Revenue Streams:** Revenue is primarily generated through the sale of individual bottles. Prices are higher than in Germany, ranging from €2.50 to 3,90€, with significant price variations in bars and clubs, especially when served as part of alcoholic cocktails. Regarding revenue streams in Spain, the shareholder stated, "Through online sales, we have the highest margin, but the smallest volume sold. The collaboration with a major distributor in Barcelona that exclusively handles our distribution is the largest sales point."

- **Key Resources:** Key resources include the unique recipe of Club Mate, high-quality ingredients, sustainable production practices, and a strong brand identity associated with health and sustainability. "The product is imported to Spain, with the manufacturing process taking place in Germany. No adaptations are made," noted the shareholder. The water comes from the spring of BL, and the yerba mate from Paraguay, but it constitutes only 1% of the drink (Scheele, 2010).
- **Key Activities:** The primary activities involve beverage production and distribution. In Spain "we manage everything from our online store to direct sales and distribution partnerships in the Spanish market," explained the shareholder. Additionally, he stated, "Compared to Germany, we do marketing here and try to enhance the visibility of Club Mate. However, we are limited to a very small budget."
- **Key Partnerships:** Club Mate collaborates with exclusive distribution partners in Barcelona and smaller shops in Spain. "Especially in all natural stores or in shops focusing on ecologically produced products, our drink can be found" said the shareholder.
- **Cost Structure:** Major costs in Spain include the product, packaging, distribution, and marketing efforts. "The product's higher costs here are due to the long transportation of the heavy product and the German Pfandsystem<sup>1</sup>. Each bottle has a €0.15 Pfand that never returns to Germany but still must be paid," mentioned the shareholder, explaining some of the cost challenges they face.

### 5.3 Current Internationalization Strategy of Club Mate in Spain

Club Mate's international presence has grown since the beginning on this century, driven more by consumer demand than by deliberate corporate strategy (Scheele, 2010). BL was motivated by external drivers (see classifications in chapter 4.2) to expand its business activities internationally. According to the CEO Markus Loscher the company was not actively seeking to enter new markets and is still not focusing on the expansion (Scheele, 2010).

After more than 20 years international presence the product is now available in nearly 60 countries, shown in Figure 12. In each country exists an exclusive distribution partner who manages everything from collection at the production facility in Germany to distribution, advertising,

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<sup>1</sup> The German "Pfandsystem" is a deposit return system for beverage containers where consumers pay a deposit (Pfand) on bottles and cans, which is refunded when the empty containers are returned to a collection point, encouraging recycling and reducing litter (Hartlep & Souren, 2011).

and customer service (Club Mate, n.d.a; Helten, 2011). This is indirect export approach (explained in chapter 4.3) represents a typical market entry mode for SMEs (Onkelinx & Sleuwaegen, 2008).



Figure 12: Availability of Club Mate around the world in the orange highlighted countries (Club Mate, n.d.a)

Although the initial number of 60 markets sounds high, Club Mate's international strategy exhibits limitations. The shareholder describes “Internationally Club Mate can be bought in a lot of countries, but the availability in these markets is very low. The biggest and most important one is Germany and will probably always be.” Helten (2011) explains the situation in the USA, where 12 bottles of Club Mate cost 45\$ online, making it hard to promote an unknown drink. These observations highlight inefficiencies in Club Mate's internationalization approach, leaving potential in foreign markets untapped. The following part intends to craft a more successful strategy.

#### 5.4 New Internationalization Strategy for Club Mate

The development of an internationalization Strategy for the business unit follows the steps of the phase model adapted from Meckl (2014) in chapter 4.3, elaborated in the theoretical framework of this paper. It is assumed, that different drivers (see chapter 4.2) exist for Brauerei Looscher to focus on the expansion of its business activities. According to Stracke & Horman (2022) the German market for nonalcoholic drinks is saturated, even shrinking in the last years while the amount of competitors is rising. Both are external reactive drivers with a very high

and high impact on the decision to enter new markets (Leonidou et al., 2007). Since the pandemic the demand of soft drinks never reached its level again and geopolitical developments make the German market less attractive because of higher energy and resource prices (Stracke & Horman, 2022). Internally this market situation reflects in stagnation in domestic profits which has a moderate impact on the decision. More important for the SME is the reduction of dependence on and risk of the domestic market. These internal reactive drivers are supported by the proactive driver of the possession of an unique product and the potential of extra growth and profits, having a high impact according to Leonidou et al. (2007). But the Management of the family-owned business has no expertise in expanding internationally and searches for the right strategy. The following case-study has the objective to develop this strategy theoretically justified, adapted to the real conditions of the markets.

### **Phase 1: Mission Statement for Club Mate**

Developing a mission statement for Club Mate involves a comprehensive understanding of its core business, target customers, the value it offers to these customers, and both its current and aspirational roles in the market. Currently, Club Mate (n.d.c) has not published a clear mission statement, only its core promise of an honest, high qualitative, 100% vegan, and natural product produced sustainably. It is assumed that the company will also rely on these values abroad, as the business model has proven to be successful after a long tradition in the domestic market. To develop the mission statement as described by Kotler et al. (2022), the five questions mentioned in chapter 4.3 should be considered. They were partly already answered in the Business Canvas in chapter 5.3 and are be summarized here:

- *What is our business?* Club Mate produces and distributes unique, all-natural yerba mate beverages as a healthier alternative to traditional caffeinated drinks, catering to environmentally conscious consumers.
- *Who is our customer?* Club Mate's customers are health-conscious, environmentally aware young adults to middle-aged individuals with active lifestyles who prefer high-quality natural products.
- *What is the value to our customer?* Club Mate provides a healthy, vegan, all-natural beverage with a unique taste that aligns with consumer values of sustainability and healthy consumption.

- *What will our business be?* Club Mate aims to become a global leader in the natural beverages market, expanding its product range and geographic reach to meet the evolving demands of health-conscious consumers.
- *What should our business be?* Club Mate should set industry standards by combining traditional beverage recipes with modern dietary trends, promoting healthier options and sustainable, ethical production practices.

With answering the questions, a proposed mission statement for Club Mate could be:

*“At Club Mate, we are dedicated to refreshing the world with our distinctive natural beverages, innovatively crafted from traditional recipes to energize people around the world. Our commitment extends beyond refreshment to fostering a sustainable future, ensuring every sip upholds our values of honesty and quality. We connect with a global community of conscientious consumers through offerings that are not just good, but thoughtfully good.”*

This mission statement sets a clear, memorable direction for the company’s future efforts. The statements make it clear that all strategic decisions align with fostering healthier, more sustainable consumption with an honest relationship toward the consumers. When shortening the mission statement for marketing reasons, it could sound like: "Energy: From Nature, For You."

## **Phase 2: Internal and external Analysis: SWOT analysis of Club Mate in Spain**

To assess the internal situation of Club Mate and its external environment in Spain a SWOT analysis is conducted in the following. Figure 13 presents the results of the analysis, systematized in the four main categories: Strengths, Weaknesses, Opportunities and Threats.



	Strengths	Weaknesses
Internal Analysis	<ul style="list-style-type: none"> <li>• <b>Ingredients:</b> vegan, all natural, traditional</li> <li>• <b>Unique product:</b> secret receipt</li> <li>• <b>Production:</b> high quality and green energy</li> <li>• <b>High Customers Loyalty</b> (communities)</li> <li>• <b>Strong Brand Advocacy:</b> image through word-to-mouth marketing</li> <li>• <b>Values:</b> honesty and quality</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Limited Distribution:</b> restricted availability</li> <li>• <b>Lack of clear marketing strategy:</b> no clearly defined mission statement</li> <li>• <b>Low product innovation</b></li> <li>• <b>No local Adaption:</b> taste and packaging not adapted to Spanish market</li> <li>• <b>Acquired taste:</b> barrier to acceptance</li> </ul>
	Opportunities	Threats
External Analysis	<ul style="list-style-type: none"> <li>• <b>Legislation Favouring Healthier Beverages</b></li> <li>• <b>Consumption with alcohol:</b> Club Mate Cocktails</li> <li>• <b>Rising Demand for Functional Drinks</b></li> <li>• <b>Effective Use of Social Media:</b> lower costs and right target group</li> <li>• <b>Changing Consumer Behaviour:</b> Growing Conscientiousness</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Competition from Larger Brands:</b> product innovation and domination in the market</li> <li>• <b>Image Association Risks:</b> interpretation of unhealthy energy drink through independent development of the image</li> <li>• <b>Rising Costs of Resources and Transportation</b></li> </ul>

Figure 13: SWOT Analysis Results (own graphic)

Beginning with the internal analysis, the current picture of the business unit Club Mate is examined. **Strengths** can be seen in the tradition of the product. Firstly the main ingredient yerba mate is used since hundreds of years in South America because of its energizing effects and health properties but also as a form of interacting socially (Samoggia et al., 2021). The Argentinian shareholder states “We drink Mate since centuries in South America. It’s seen as a medicine.” The product Club Mate itself exists since more than 100 years, mainly in Germany, and always had convinced consumers underlining its product quality (Club Mate, n.d.b). The traditional nonalcoholic drink is produced in a long process after a secret recipe, what makes it imitation hard and so represents another strength (Scheele, 2010). The product stands out due to its all-natural, 100% vegan ingredients only using the natural caffeine of the mate. According to Club Mate (n.d.c) in the production only high quality ingredients and green energy is used, aligning well with the growing global trend towards sustainable and ethical consumer products. The shareholder describes “the core values are honesty and quality”, making word-to-mouth marketing possible and explaining the high level of customer loyalty (Scheele, 2010). Particularly the niche communities like the hacker community are evident for this phenomena, that value both tradition and uniqueness in products (Helten, 2011).

However, Club Mate also encounters several **weaknesses** that could inhibit its market expansion and growth. The product suffers from limited distribution in Germany but also worldwide, which restricts its availability and thus limits market penetration (Helten, 2011). Especially in Spain supermarkets and hypermarkets are with 88% the main selling point of soft drinks (Orús, 2024). Results of Jornet Margerel (2023) analyzing the buying behavior of energy drinks also shows that the majority, 79,2%, is bought in supermarkets and hypermarkets, followed by 16,7% in local shops. “We tried selling more through our online shop, but it didn’t worked. The distributor makes the highest sales” (Shareholder). Sales online have in both mentioned studies a minimal impact. Additionally, the brand’s marketing strategy in lacks a clear, cohesive message, potentially hindering its ability to connect deeply with new customers. The no marketing strategy approach might fit to the image of an alternative and noncommercial drink, but also gives space to public to create an independent image of the brand (Sorge, 2012). In a northern city of Germany the brand was modified to “Club Molli” to call for violence against police officers with Molotov cocktails (Seeliger, 2012). When BL wanted to take legal action against this, there was criticism from the left community, which is opposed to legal restrictions and a big Club Mate Fan community. This is just one example that highlights the weaknesses of word-of-mouth marketing, as the image of the brand is not built by the company but by its consumers.

Another **weakness** is the product's innovation rate that relatively low compared to its competitors, who frequently introduce new variants and flavors. This information is taken form the Interview of the CEO explaining Scheele (2010), that indicated that most product innovations were made before 2010 (*Cola, Kraftstoff, Winter-Edition*). Releasing only two more products in the following 14 years, while not making any change in packaging is not comparable to the competitors in the market (Stracke & Horman, 2022). “We do not make any adaption for the Spanish market. If I could choose, I would think about a version without gas” (Shareholder). And exactly this product innovation is needed, to overcome the notable challenge of its unique taste, which requires an acquired palate, possibly deterring first-time buyers who are unaccustomed to its distinct flavor profile. A field study by Wüst (2017) shows that more than two-thirds of consumers do not like the drink the first time they try it, making it promotion more difficult. “To be honest, I didn’t like it when I tried it the first time” (Shareholder). Especially when entering a new market, the adaption of the product must be taken into consideration (see chapter 4.3). “Spanish culture is different from the German. Companies sometimes forget this” (Managing Director AHK). When it comes to packaging in the beverage industry, the returnable glass bottles from Germany, are not used in Spain (Wirtschaftsvereinigung Alkoholfreie

Getränke e.V., 2024). In Spain, soft drinks are mainly consumed from cans or plastic bottles (Jornet Margerel, 2023).

Externally **opportunities** for Club Mate arise from legislative changes that could impose higher taxes on sugary and traditional energy drinks, positioning Club Mate as a healthier alternative due to its natural ingredients and lower sugar content (World Health Organisation, 2022). “We see a change in the consumer behavior towards more conscious buying behavior”, states the shareholder. The growing popularity of functional drinks presents a significant opportunity for Club Mate to expand its reach and consumer base (Jornet Margerel, 2023). In markets around the globe the reduction of sugar in beverages is becoming more popular and is widely accepted among clients, which demonstrates a clear opportunity of Club Mate with low sugar in comparison to other soft drinks and the zero version (Bundesverband des Deutschen Getränkefachgrosshandels e.V., 2022; Orús, 2024). “We offer a healthy alternative to normal energy drinks” (shareholder). Therefore Club Mate is part of the health and wellness market, which has been constantly growing since several years and is predicted to do so in the upcoming years as well (Statista Market Insights, 2024). Added to that, there is potential in the trend of using Club Mate as an ingredient for cocktails, which can be strategically marketed to boost its consumption in social and nightlife settings (Sorge, 2012). But the Shareholder says “We don’t want to promote it with alcohol. It will have an impact on the brand's healthy image.” Another opportunity is leveraging online marketing through social media, because it offers low-cost, high-impact channels to enhance brand visibility and engagement (Rugova & Prenaj, 2016). “I don’t like social media for marketing. You only have five seconds to transmit the message. I rather sponsor one live event, where people see the product in action than some influencers” (Shareholder).

The **threats** facing Club Mate include the high competition from larger brands in the Spanish market like Coca Cola, Don Simon, Fanta and Aquarius (Kantar Worldpanel, 2023). Especially Coca Cola has a high power in the Spanish market, leading the statistics with three times the consumption compared to competitors. Its most consumed product in Spain is Cola light, underlining the demand for products with sugar reduction but also the strategy of big companies following the healthy trends. In the energy drinks sector big brands are venturing into the all-natural product space, making it difficult for Club Mate to set standards as the pioneers (Jornet Margerel, 2023). There’s also a risk of the brand being misperceived due to its association with the broader energy drink market, which sometimes faces criticism for health concerns (World

Health Organisation, 2022). Negative perceptions of energy drinks could inadvertently affect Club Mate, when not communicating its health ingredients and therefore the product itself as a healthy alternative.

Furthermore, the rising costs of resources pose a financial **threat** that could impact the brand's profitability and pricing structure but depends heavily on the entry mode chosen (Stracke & Horman, 2022). Especially importing the product can increase costs due to higher transportation costs from increased fuel prices. "German companies exporting their products to Spain are confronted with a sharp rise in transportation costs since the beginning of the war. It remains to be seen how this will develop" says the Managing director of AHK. And according to Stracke & Horman (2022) the elevated weight of beverages means that a delivery that is ecologically justifiable and economically sensible is only possible for a maximum of 200km. Club Mate can not afford a rise in costs, leading to a rise in the price of their product. In Spain the average person spends only 36€ in a year for beverages, of which nearly 60% are spent on Cola (Orús, 2022).

With this SWOT analysis, an internal and external analysis was carried out, whereby strong arguments were found for all four components. The next step is to combine these aspects and develop strategic objectives for the Spanish market.

### **Phase 3: Strategic Objectives for Club Mate in Spain**

For Club Mate's strategic expansion into the Spanish market, it's crucial to align the different categories of the SWOT analysis to effectively leverage strengths, address weaknesses, capitalize on opportunities, and mitigate threats. In the following section for each category of the SWOT matrix (see chapter 4.3) possible strategic objectives are described, summarized in Figure 14 at the end of the chapter.

		Internal	
		Strengths	Weaknesses
External	Opportunities	<b>SO-Objectives</b> <i>(Leveraging Strengths to Seize Opportunities)</i> <ol style="list-style-type: none"> <li><b>Enhancing Social Media Engagement:</b> Utilizing the brand's strong customer loyalty to engage more effectively on digital platforms.</li> <li><b>Introduction of nonalcoholic Club Mate-Based Cocktails:</b> Expanding product usage by introducing cocktail mixes that cater to both health-conscious consumers and social nightlife.</li> <li><b>Partnerships with Health-Conscious Brands:</b> Forming alliances with fitness centers, health food stores, and wellness events to promote Club Mate.</li> </ol>	<b>WO-Objectives</b> <i>(Addressing Weaknesses by Utilizing Opportunities)</i> <ol style="list-style-type: none"> <li><b>Developing a Clear and Cohesive Marketing Strategy:</b> Emphasizing the health benefits and natural ingredients to attract health-focused consumers.</li> <li><b>Product Innovation:</b> Responding to the rising demand of functional drinks with different flavours and benefits.</li> <li><b>Packaging Innovation:</b> Introducing convenient packaging tailored to local preferences to improve consumer appeal.</li> </ol>
	Threats	<b>ST-Objectives</b> <i>(Using Strengths to Neutralize Threats)</i> <ol style="list-style-type: none"> <li><b>Enhancing Public Perception of Club Mate:</b> Highlighting all-natural, vegan ingredients to combat negative perceptions. Can be combined with positioning as the sustainable option.</li> <li><b>Emphasizing Unique Qualities and Strong Community Loyalty:</b> Using the brand's unique history and loyal following to carve out a niche.</li> </ol>	<b>WT-Objectives</b> <i>(Minimizing Weaknesses and Building Resilience Against Threats)</i> <ol style="list-style-type: none"> <li><b>Innovative Product Development:</b> Introducing new variants or improvements to the existing product to keep the brand relevant and competitive.</li> <li><b>Adaptation to Local Preferences:</b> Tailoring flavors and packaging to better suit the Spanish market to enhance consumer acceptance.</li> <li><b>Enhanced Distribution Strategy:</b> Developing a more effective distribution network to ensure broader availability.</li> </ol>

Figure 14: SWOT Matrix of Club Mate in Spain

- **SO-objectives**, consist in leveraging strengths to seize opportunities. One strategic objective could be to enhance Club Mate's social media engagement, aiming to leverage the brand's strong customer loyalty and fame in communities. The already existing loyalty is a great base, that should be used to make the brand more popular through these fans and communities by letting them share news about the brand on their profile. The identification with the values of the brand and product could motivate clients to do so, which is a very resource-efficient strategy. Laaff et al. (2011) describes the image of being seen with a club mate as cool and hip in Berlin, this perception should be spread via social media. When not paying for partnerships but supporting them through interaction, also the key value honesty can be held. Additionally in this category the unique and healthy product should be positioned into the growing health and wellness market. Through partnerships with health-conscious brands or promoting Club Mate as a healthy alternative in locations like fitness centers, health food stores and wellness events the brand is linked to healthy benefits. The promotion of mixing Club Mate with alcohol in cocktails would contrast with the healthy image, as the shareholder also said. But promoting nonalcoholic cocktails with Club Mate could be a strategic objective to foster the drinks image also as a healthy alternative in the night life.
- **WO-objectives** are about mitigating the company's existing weaknesses by aligning them with significant market opportunities. Developing a cohesive marketing strategy

that highlights Club Mate's health benefits and natural ingredients will address the current weakness in its unclear marketing message and focus again on the health and wellness market with high potential (Statista Market Insights, 2024). The rising demand for functional drinks can be satisfied by product innovation with tastes adapted to the Spanish market and health benefits demanded by customers. Added to that product innovation in terms of suitable packaging for the Spanish market has the potential to meet consumer demands. "Having the drink in a can would be great for the Spanish market," said the shareholder. And when incorporating a sustainable packaging option, demands from people that are buying more conscious are met.

- In the category **ST-objectives** strengths are used to neutralize threats. For example, a strict differentiation from negative perception associated with energy drinks can be reached by highlighting the health benefits and vegan, all natural ingredients utilized by Club Mate. This approach differentiates Club Mate from less health-focused brands. When including its sustainable aspect, it also strengthens its position as an alternative to big less sustainable brands. Additionally, emphasizing the product's uniqueness and the loyalty of its community base allows Club Mate to maintain a niche in a market dominated by larger brands. And with rising critics and more aware customers' bigger brands could lose market share, giving them to brands offering an alternative. "We definitely have the potential to upset the big boys. Also, because customers want that more and more" (Shareholder).
- Minimizing weaknesses and building resilience against threats are the core of **WT-objectives**. Increasing the rate of innovation is essential for Club Mate to stay competitive. Introducing new flavors and limited editions can attract more consumers and counteract competition from larger brands. Additionally, innovative packaging and production processes can reduce costs and enhance sustainability. Adapting to local preferences is equally important. Adjusting the taste to suit Spanish consumers, perhaps by creating versions without gas or new functionalities, can increase acceptance. Also, switching to preferred packaging formats like cans or plastic bottles can make Club Mate more accessible and appealing in Spain, but should be analyzed in combination with the importance of sustainable positioning. Lastly the distribution of the drink must be reorganized, as it is not present at the sales points, where over 80% of the beverages make their profit: the supermarkets.

When having defined these different, relatively broad objectives, the next step is to formulate specific measures that contribute reaching these objectives and categorize them into the BSC. The scope of the paper is limited, therefore this step in the development of the strategy is done for one of the possible strategic objectives as an example: building partnerships with health councils and brands such as fitness centers, health food stores, and wellness events for Club Mate (SO-Objective). Table 2 presents the BSC outlining objectives for each of the four perspectives. It details various measures designed to achieve these objectives, along with proposed KPIs to gauge success.

Perspective	Objective	Measure	KPI
Financial	Increase revenue through strategic partnerships	Partnership agreements	Number of partnership agreements signed per quarter
		Sales volume through partner channels	Percentage increase in sales volume through partner channels
		Co-branded promotional campaigns	Revenue generated from co-branded campaigns
Customer	Enhance brand awareness and customer loyalty	Joint marketing activities	Number of joint marketing activities conducted
		Customer engagement	Social media engagement rate on health-focused content
Internal Process	Streamline processes to support partnerships	Dedicated partnership management team	Time taken to respond to partnership inquiries
		Standardized partnership processes and agreements	Time taken to onboard new partners
		CRM system implementation	Number of partner interactions recorded in CRM
Learning and Growth	Build organizational capability for partnerships	Staff training programs	Number of staff trained
		Culture of collaboration and innovation	Employee engagement score
		R&D for new partnership opportunities	Number of new partnership opportunities identified

**Table 2: Balanced Score Card Example**

From a *financial* perspective, the goal is to increase revenue through strategic partnerships. Club Mate must focus on developing partnership agreements with fitness centers, health food stores, and wellness events, with the KPI being the number of partnership agreements signed

per quarter. Additionally, increasing sales volume through these partner channels can be measured by the percentage increase in sales volume. Generating co-branded promotional campaigns is another potential measure, tracked by the revenue generated from these campaigns.

In the *customer* category, the objective is to enhance brand awareness and customer loyalty through health-focused partnerships. Joint marketing activities with partners, such as joint promotions and co-branded events, can be tracked by the number of these activities conducted. Increasing customer engagement through health-focused content on social media could be measured by the social media engagement rate, including likes, shares, and comments on common platforms.

*Internally*, the focus is on streamlining processes to efficiently manage and support these partnerships. Establishing a dedicated partnership management team will help, with the KPI defined as the time taken to respond to partnership inquiries. Developing standardized partnership processes and agreements will be measured by the time taken to onboard new partners. Implementing a Customer Relationship Management (CRM) system to manage partner relationships will make this process more efficient and measurable. The KPI for tracking this could be the number of partner interactions recorded in the CRM system.

From a *learning and growth* perspective, building the capability within Club Mate to sustain and expand partnerships is vital. Providing training programs for staff on partnership management and health-focused marketing can be measured by the number of staff trained. Fostering a culture of collaboration and innovation within the organization is tracked by the employee engagement score related to partnership initiatives. Lastly, investing in research and development to identify new partnership opportunities can be measured by the number of new partnership opportunities identified through these efforts.

This example shows how a structured BSC framework can provide a detailed approach to achieving the strategic objective. Each measure is aligned with a specific KPI, ensuring its effective tracking and management to foster successful partnerships with health-focused brands.

#### **Phase 4: Development of a strategy for Club Mate in Spain**

Developing a strategy for Club Mate's entry into the Spanish market considers the high degree of product adaptation needed in terms of flavor, taste, and packaging. The distinct taste profile of Club Mate that might not immediately appeal to Spanish consumers otherwise provides a big



obstacle. “The fact that you need to try it several times before you are convinced presents a challenge” (Shareholder). This observation of high pressure to adapt to the local circumstances, can be made in general in the alimentation sector. “The German Supermarket chains Aldi or Lidl are the best examples, having a highly adapted product portfolio in Spain, although seeking scale effects” (Managing Director of AHK). The pressure to reduce costs is also high in the Spanish market. “People in Spain do not have the same amount of money like an average worker in Germany” (Managing Director of AHK). Still local adaptation should be prioritized, to expand the number of potential consumers (GfK, 2023). Following the strategy types of Bartlett & Ghoshal (1990) explained in chapter 4.3, a multinational strategy is most suitable for the case of Club Mate. Potentially this can develop into an international strategy, where also cost efficiency is reached while local adaptation remains high, when more markets that present similar characteristics are entered. The Managing Director of AHK describes “The Italian market in Europe and the South American market are similar in terms of language and cultural habits. Companies often use Spain to learn and expand to South America later.”

As described in the strategic objectives before, Club Mate should increase its innovation rate to develop flavors tailored to Spanish tastes, possibly creating more sugar free versions, different flavors and without gas to enhance acceptance. “The test with the new zero version of Club Mate had better results than we expected“ said the shareholder. Packaging should also be adjusted from the traditional returnable glass bottles used in Germany to formats more popular in Spain, such as cans or plastic bottles (Jornet Margerel, 2023). These adaptations could help overcome the "acquired taste" challenge and make the product more accessible and appealing to Spanish consumers.

In terms of market entry, Club Mate should decide to be a pioneer in the Spanish market, leveraging its unique product benefits and gaining market share, as Spanish consumers seem to stick to establish brands like Coca Cola and do not want to switch after adapted to one product. Being the first mover can establish strong brand recognition and set industry standards, creating significant competitive advantages as suggested by Sure (2017). Although pioneering involves higher initial costs and risks, it allows Club Mate to capture market share and build brand loyalty early on. “The community spirit Club Mate has in Germany has not arrived in Spain yet.” (Shareholder). And the observations of the Spanish market indicate that the consumer behavior is beginning to change and from both interviewed experts also predicted to change more in the following years. “Spain needs some more time for the change but it will come” (Managing

Director of AHK). The question is the pace of these developments and the willingness to pay voluntarily a higher price for a sustainable product. “Right now, I think Spaniards will not spend twice the price for a more sustainable product” (Managing Director of AHK).

The market entry mode depends on the resources and commitment of BL. The current economic and geopolitical situation could favor a non-equity entry mode because of high uncertainty. “Political tensions worldwide, including in Spain, make companies more cautious in their decisions” said the Managing Director of AHK. Both variants of Export are not an option because of the high transportation costs and discussed local adaptation. What automatically identifies the current internationalization strategy as ineffective. The contractual modes can be taken into consideration, where a licensing agreement with a local Spanish company to manufacture Club Mate locally is advisable. But the protection of the unique receipt must be secured, for example through legal regulations or German staff in the Spanish production, as this was identified as a major competitive advantage in the SWOT analysis.

In case BL sees the potential high and is committed to enter the Spanish Market with a higher investment, it could decide for one of the available equity modes. Strategic alliances can provide access to local market knowledge and so reduce entry barriers, but the cultural differences must be considered. “Spanish and German partnerships in the business world often fail due to significant cultural differences. Germans tend to provide honest and direct feedback, while Spaniards are accustomed to discussing the matter for half an hour to avoid giving personal criticism directly” (Managing Director AHK). Entry mode really depends on the strategic partner, as the other possibility does even more: creating a joint venture. Due to even higher commitment and not much expertise in the market, this entry mode is very unsuitable. A sovereign foreign direct investment is due to its very high commitment and less recourse availability very unlikely as well. Although this mode could offer long-term production advantages, as Spain is an attractive production location in terms of infrastructure and sustainable energy. These three possible entry modes should be evaluated and selected by the company in the way described in chapter 4.3. In this thesis for the case only assumptions could be made as no data is available on the companies’ resources and degree of commitment.

By focusing on the Spanish market first and potentially applying the experiences gained there to other markets, Club Mate can employ a waterfall strategy later. This involves sequentially entering markets, leveraging the learning and resources accrued from Spain before moving on to other markets, as described by Meckl (2014). This strategy is particularly suitable for SMEs

like Club Mate, as it allows for manageable resource allocation and the ability to adjust strategies based on initial market experiences. It also aligns with the observation of the Managing director of the AHK “Spain serves as a springboard for South America.”

In summary, Club Mate’s entry into Spain should be guided by a multinational strategy emphasizing local product adaptation, pioneering market presence, and licensing or strategic alliances for local manufacturing. These steps will help Club Mate establish a strong foothold in the Spanish market, providing a foundation for future international expansion.

### **5.5 Comparison of the Current Strategy and New Strategy**

Currently, Club Mate's operations in Spain are managed by an independent company with exclusive distribution rights, emphasizing natural products with minimal marketing. The company's vision focuses on honesty, originality, and sustainability without aggressive expansion. However, this thesis proposes a more structured approach with a clear mission statement, targeting health-conscious consumers, and aiming for steady growth and industry leadership in natural beverages.

At present, Club Mate has a limited footprint in Spain, relying on online sales, direct sales to bars and restaurants, and one major distributor in Barcelona. Performance is driven by niche markets and word-of-mouth marketing. The proposed strategy emphasizes broader market penetration, particularly in supermarkets and hypermarkets, using both traditional and online marketing to increase visibility and market share.

Strategically, Club Mate aims for slow, steady growth in urban areas like Barcelona and Madrid, maintaining core values without creating short-lived hype. The thesis recommends setting specific, measurable, and ambitious objectives using a BSC approach to ensure financial growth, customer satisfaction, internal process improvement, and learning and growth.

Currently, Club Mate uses an indirect export method, which presents challenges like high import costs and German packaging practices affecting pricing. The thesis suggests exploring other entry modes like licensing or strategic alliances to enhance market control and reduce transportation costs. Additionally, adapting packaging to local preferences, such as using cans or plastic bottles, is recommended.

Club Mate’s brand positioning focuses on being a natural, healthy alternative with minimal marketing. The thesis proposes reinforcing the brand’s health and sustainability benefits

through targeted marketing campaigns, including social media, influencer partnerships, and event sponsorships to boost brand visibility and consumer engagement.

The current strategy lacks specific efforts in cultural adaptation and localization. Club Mate maintains product consistency without specific adaptations for the Spanish market, facing challenges from cultural resistance and established local preferences. The thesis recommends tailoring marketing messages and potentially product offerings to better align with local tastes, incorporating cultural elements into branding and advertising.

Regarding distribution and supply chain management, centralized production in Germany leads to high import costs. The thesis suggests exploring local production or regional bottling to reduce these costs and expanding distribution channels to include supermarkets and hypermarkets.

Competitively, Club Mate faces challenges from major brands like Coca-Cola and Red Bull, as well as similar products like Fritz Cola. The current strategy shows limited response to competition due to minimal marketing efforts. The thesis advises conducting a detailed competitive analysis and developing a proactive strategy that emphasizes health benefits and sustainable practices.

Challenges for Club Mate include high import costs, cultural resistance, and competition from established brands. Opportunities lie in the growing health consciousness and demand for natural beverages. The thesis suggests specific strategies to mitigate challenges and leverage health and wellness trends through targeted marketing and product innovation. Looking forward, Club Mate currently lacks a specific long-term strategic plan, focusing instead on organic growth. The thesis proposes a clear strategic vision for international growth and market leadership in the natural beverage sector, encouraging innovation and product diversification to meet changing consumer demands.

## 6 Discussion

The research presented in this thesis explores the internationalization strategies of SMEs, focusing on Club Mate, a German yerba mate beverage company, and its potential expansion into the Spanish market. The findings highlight the importance of strategic planning, market analysis, and local adaptation for SMEs aiming to enter international markets. The case of Club Mate underscores the need for a balanced approach between local adaptation and cost efficiency. Adopting a multinational strategy with product adaptations in flavor and packaging to meet Spanish preferences can enhance market acceptance. Forming strategic alliances or licensing agreements for local manufacturing can help overcome logistical challenges and reduce costs.

This study suggests that Club Mate must rethink its internationalization strategy, incorporating higher manpower in production and a proactive approach to market adaptation. By aligning its strategy with these recommendations, Club Mate can effectively navigate the challenges of internationalization and capitalize on growth opportunities in the Spanish market. This approach can serve as a model for other SMEs looking to expand internationally, highlighting the importance of strategic planning and local adaptation.

Over time, many obstacles to internationalization have diminished, making it more feasible for SMEs to expand abroad (Onkelinx & Sleuwaegen, 2008). Technological advancements, trade agreements, and improved logistics have reduced barriers, providing SMEs with more opportunities to enter foreign markets. SMEs often hesitate to fully commit resources to international expansion, which can result in missed opportunities (European Commission, 2023). Although the growing global demand for healthier and more sustainable options presents significant opportunities for German SMEs in the beverage industry (Stracke & Horman, 2022). However, they must navigate cultural differences, regulatory frameworks, and competition from established brands.

Policymakers play a crucial role in supporting SME internationalization by developing supportive policies, reducing regulatory barriers, and providing resources and incentives (European Commission, 2023). Encouraging trade missions, offering market intelligence, and facilitating partnerships can create a favorable environment for SMEs to thrive internationally.

## **6.1 Limitations of the Research and Further Research Suggestions**

The research encountered several limitations that could impact the generalizability and applicability of the findings, namely geographical, data, temporal, and scope limitations. Geographically, the study focused exclusively on the Spanish market. While this provides in-depth insights into this specific region, the findings may not be directly applicable to other markets without modifications in strategy due to cultural, economic, and regulatory differences. Regarding data, the primary sources were publicly available information and interviews with a limited number of stakeholders. This approach may not capture the full spectrum of opinions and experiences in the beverage industry. Future research could benefit from a broader survey and additional interviews, especially when quantitative evidence is needed. Temporally, the data reflects the market conditions as of the current date. As markets evolve, some of the insights and recommendations may require adjustments to remain relevant. The scope of the research was also limited, focusing on a single product category and SME, which restricts the breadth of the study. Expanding the research to include multiple product lines or companies could provide a more holistic view of industry dynamics.

To build on this thesis, future research could explore the internationalization process of SMEs in other sectors or extend the geographic focus to include multiple countries. Comparative studies between SMEs and larger corporations could also provide deeper insights into the distinct strategies and challenges faced by different-sized entities in the beverage industry. Additionally, longitudinal studies to track the long-term success of implemented strategies could yield valuable data on the sustainability and profitability of international expansions. Further research could also examine how political measures might improve the internationalization process for SMEs, potentially providing policy recommendations to facilitate global market entry and expansion.

## **6.2 Conclusion and Outlook**

In summary, the research highlights the necessity for SMEs like Club Mate to adopt strategic, well-planned internationalization approaches that balance local adaptation with cost efficiency. By addressing cultural differences, enhancing product appeal to local tastes, and leveraging strategic alliances, SMEs can overcome many traditional barriers to international expansion. As the global demand for healthier and more sustainable products continues to grow, SMEs are well-positioned to capitalize on these trends. Moving forward, Club Mate and similar SMEs

should focus on innovation, adaptability, and strategic collaborations to maintain competitiveness and drive international growth. By embracing these strategies, SMEs can not only enhance their market presence but also contribute to the broader economic landscape, setting industry standards and fostering healthier consumption patterns worldwide.

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## **Appendix**

### **Appendix 1: Declaration of Use of Generative Artificial Intelligence Tools**

I, Tarik Lucca Bauer, student of International Management (E4) at the Pontifical Comillas University, hereby declare that in presenting my Final Degree Project titled " Cross-border Business Strategies: analyzing a German Mate Beverage company's entry into the Spanish market", I have used the generative artificial intelligence tool ChatGPT or other similar AI tools only in the context of the activities described below:

1. Brainstorming research ideas: Used to devise and outline possible research areas.
2. Methodologist: To discover methods applicable to specific research problems.
3. Literary and Language Style Editor: To improve the linguistic and stylistic quality of the text.
4. Translator: To translate texts from one language to another.

I affirm that all information and content presented in this work are the product of my research and individual effort, except where otherwise indicated and the appropriate credits have been given (I have included the appropriate references and have explicitly stated the use of ChatGPT or other similar tools). I am aware of the academic and ethical implications of presenting non-original work and accept the consequences of any violation of this declaration.

Date: 04.06.2024

Signature: \_\_\_\_\_

## Appendix 2: Consent Form Interview

I declare my consent for the use of personal data collected during the following interview:

- a. Research Project: Final degree project on the Internationalization strategies of German SMEs entering the Spanish market.
- b. University conducting the project: ICADE Pontificia Comillas
- c. Interviewer: Tarik Lucca Bauer
- d. Date of the interview: \_\_\_\_\_

The data will be collected during a digital interview, which will be recorded.

For data analysis, the verbally collected data will be transcribed and anonymized. Therefore, the identification of the interviewee will be excluded. Once the project is completed, the data will be deleted. The interviewee can object to the storage of personal data for documentation purposes at any time. Participation in the interview is voluntary. The interview can be terminated at any time. Consent for the recording and subsequent use of the data can be revoked at any time.

In detail, I agree to:

- e. the interview being digitally recorded.
- f. the interview being transcribed and anonymized.
- g. all information that could lead to the identification of the person being modified or removed from the transcript.
- h. sequences of the interview, transcribed and anonymized, being interpreted in the context of the aforementioned research project.
- i. the provided data, recording, and transcript being stored until the completion of the project and then deleted.

Under these conditions, I agree to give the interview and consent to it being recorded, transcribed, anonymized, and analyzed.

Signature: \_\_\_\_\_