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The internationalization plan of the company
Sabor a España

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ABSTRACT: In this study, a part of the internationalization process for "Sabor a España," a small and medium-sized business, is analyzed. The aim of this paper is to determine whether it is feasible for the company to begin operations in a new nation where it has not yet been stepped into. An internal analysis of the firm's history, internal financial state, and position in the Spanish sector is initially provided to conduct the internationalization strategy and better understand the environment on which the company depends. The primary traits of the three potential overseas markets are then analyzed. The paper then focuses on the best way to carry out this growth after determining which market is the best fit for the business.

The paper's findings demonstrate that there are specific procedures and difficulties that can affect Sabor a España's ability to expand its products internationally. They also demonstrate that a company can successfully achieve global sales if it takes all relevant factors into account when developing an internationalization strategy.

RESUMEN: En este trabajo se analiza una parte del proceso de internacionalización de "Sabor a España", una pequeña y mediana empresa. El objetivo de este trabajo es determinar si es factible que la empresa comience a operar en un nuevo país en la que aún no ha operado. Para llevar a cabo la estrategia de internacionalización y comprender mejor el entorno del que depende la empresa, se realiza inicialmente un análisis interno de su historia, su estado financiero interno y su posición en el sector español. A continuación, se analizan los rasgos principales de los tres posibles mercados extranjeros. Después, el documento se centra en la mejor manera de llevar a cabo este crecimiento tras determinar qué mercado es el más adecuado para la empresa.

Las conclusiones del documento demuestran que existen procedimientos y dificultades específicos que pueden afectar a la capacidad de Sabor a España para expandir sus productos a escala internacional.

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1. INTRODUCTION

This paper involves creating an internationalization plan for the Spanish confectionery company "Sabor a España", a small and medium company in Spain. The motivation behind carrying out this paper is because nowadays, the global economy is currently experiencing one of its most dynamic and shifting periods. The unification of markets, the standardization of products, the homogenization of consumer tastes and needs in the developed world, new channels of communication, distribution, and sales, such as the Internet, and the quantity and quality of existing products and services, are establishing a trend that will inevitably lead to the internationalization of companies, regardless of their size. This internationalization will provide an opportunity for companies to maximize their production capacity, to reach even greater volume markets and the possibility to earn reputation abroad because of the scarcity of their products in other foreign markets.

If we focus on small and medium enterprises, in Spain, they accounted for 99.9% of all enterprises in 2021 and 62% of the country's gross value added. This shows that this type of company is the motor of the Spanish economy. The trend shows that internationalization is a clear need for small and medium enterprises, who, due to their size and resources, can find themselves replaced in local marketplaces due to the pressure of huge international companies. As a result, their answer to these survival crises has been globalization and a daring approach toward the defense of their own interests and the acquisition of new markets.

However, the countless opportunities provided by globalization require a thorough examination of the existing alternatives, as it is a complex process. Truth is that Spain has very favorable data on agri-food exports, and it also has an important competitive advantage in terms of goods with a Spanish label that are difficult to find in other regions of the world, such as ham, olive oil or nougat, product in which the company that we are analyzing, Sabor a España, focuses on. But even with the competitive advantage that this Spanish product provides, internationalization is concerned not only with the type of product but also with the where and how. As a result, an internationalization strategy is required to enter a new market.

Hence, the purpose of this research is to show that when deciding on an internationalization strategy, the most major decision is not the how but the where. Choosing the right market to expand the products is essential for accomplishing a good

internationalization. Even if your set up plan for a new market is clearly defined, if that market is not the right one, the internationalization of the company could be affected. Thus, the primary goal of the Sabor a España internationalization plan study is to determine which country would be best suited to offer this product in markets where it is not currently present.

The following goals have been established for the creation of this paper: A thorough analysis of the organization to determine the company's starting point. To do that an overview of the financial status of the company will be carried out as well as an analysis of the sector in which the company operates in. Another goal is to determine which of the chosen countries is best for conducting an international trade and the benefits this internationalization could provide. Lastly, another goal is to determine which entry mode is profitable for the business in the chosen market.

This dissertation is then divided into four main sections. Section 2 reviews the current position the company has in the national ranking and its financial situation. This section also provides some information about the company's main characteristics. Section 3 analyzes the sector in which the company operates on a national, European, and worldwide level. Section 4 discusses the internationalization plan, focusing on 3 countries. Section 5 and 6 set out the results and clarify the way of entry to the new country. Finally in section 7 the main conclusions are drawn.

2. HISTORY, CHARACTERISTICS AND PRODUCT PORTFOLIO

Main characteristics

Sabor a España is a Spanish firm whose specialty is offering traditional Spanish products of the finest quality, specifically nougats and dried fruit derivatives or nuts. Their mission consists of bringing back and reintroducing the tradition of their products again into society to a public that had already forgotten it. The company makes it clear that all its products have one thing in common: remind their neighbors that prefabricated food is considerably less healthy, incomplete, and less appealing than Spain's culinary legacy. (Sabor a España, 2023)

The current general director and founder of Sabor a España is Francisco Ramírez Muñoz. The company was founded in 2009. The firm's headquarters are in Lucena, Andalucía, and with a network of 27 stores distributed throughout Spain, the company states that it is a SME (small and medium enterprise). Within the network of stores, 12 can be found

in different cities of Andalucía, 2 in Madrid and the rest are in Marbella, Segovia, Cartagena, Valencia, Salamanca, Burgos, Zaragoza, Benidorm, Oviedo, Bilbao and lastly 3 of them in Gran Canaria.

The business, in addition to the physical stores mentioned above, has an online store where clients may order any of its products in the format they desire.

It should be highlighted that the commercial trademark is called Sabor a España, but the business is listed in the Mercantile Register as Pals e Hijos Import S.L. Under this last name is where information can be found on financial statements, rankings, and business data, and Sabor a España is where information about the company's product line can be obtained. That is why during this degree dissertation both organization names are used.

Businesses are ranked in accordance with the economic activities they engage in by the CNAE, or the Spanish National Classification of Economic Activities. Sabor a España, falls under the CNAE code 4729 (Other retail sale of food in specialized stores) but it also presents some secondary codes such as code 1082 (Manufacture of cocoa, chocolate, and sugar confectionery), code 4724 (Retail sale of bread, cakes, flour confectionary and sugar confectionery in specialized stores) and code 4690 (Non-specialized wholesale trade).

Therefore, the company's business is the food retail commercialization, with a particular emphasis on the sweets and confectionery industry.

Limited liability company is the legal form of the organization and in 2021, the social capital amounted to 60.000 euros. Also, out of the totality of its employees, almost 77% were permanent. Empresite (2021) also states that the company has had an above-average number of employees in the sector in 2021. In 2022, the number of employees was 118 workers. Additionally, they claim that the business is not active in international markets (Empresite, 2021).

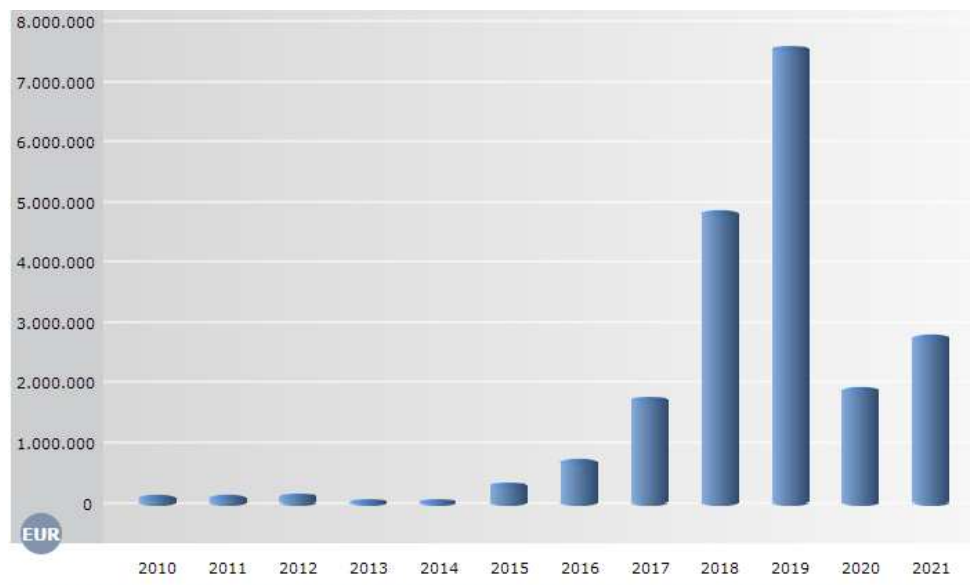
Figure 1. Evolution of sales and employees of Pals e Hijos Import SL.



Source: Informa (2021)

A company's position at a national, regional, and sectoral level can be determined by looking at the information of Spanish companies on the Ranking of Companies website, which is organized based on sales numbers. Sabor a España is ranked 68.446 in the National Ranking of Spanish Companies after accounting for all the results obtained in 2021 with a sales range between 1.5 and 3 million euros (Ranking table included in ANNEX I). The company improved by 11,530 positions compared to 2020. This improvement could be the cause of the increase in the company's operating revenue which can be seen in the following Figure 2.

Figure 2. Evolution of Sabor a España's operating revenue



Source: Sabi (2021)

History

It is vital to travel back in time to the firm's foundation and briefly summarize its history to gain a deeper understanding of the organization and its values. Prensa Malagueña (2018) explains in an article how the founder of the firm created it.

Francisco Ramírez is a fifth-generation member of a fairground family that has been producing caramelized nougats in Lucena, Córdoba, Spain, since 1909. At the age of 14, he was working with his family in the fair of Andalucía in a wooden fair stand. He had dropped out of school a year prior and at the age of sixteen he became self-employed.

The article explains that up until 2008, Francisco lived the life of a traditional nougat maker and seller. However, the door to the mobile fair stall closed due to a decline in mobile fair stands lifestyle. A lifestyle that was going downhill since the stands started evolving into bazaars which provided higher benefits and more stability to their owners than a mobile fair stand. As the world of the mobile stands shattered, so did Francisco's family tradition of making nougats that had been within the family for 5 generations since the early 20th century.

Francisco made the decision to be the first member of his family to leave the life of a street vendor by starting to rent a place to sell his goods. As time went on, he was able to free a product from the seasonality that was bound to it with a national clientele that was particularly dependent on fairs and Christmas. Nowadays, Francisco Ramírez, who was once just another member of his family working on producing nougats, is the owner of a network of twenty-seven shops spread throughout Spain and sells his products under the Sabor a España brand name on some of the best tourist streets in the country.

Moreover, hundreds of workers depend on Francisco Ramírez. Today, at 50, Francisco continues to travel thousands of kilometers a year, but no longer from fair to fair but to follow and check the national expansion of "Sabor a España" and his network of shops.

Product Portfolio

As mentioned before, Sabor a España is a brand of classic Spanish gourmet goods.

The company states in their webpage that this Spanish culinary legacy is of higher quality and is healthier than premade food, as all the goods it offers share this trait of being healthy, nutritious, and delicious.

The best-selling product of the company is the nougat. They offer different types of nougats and are sold in assortments or individually. In (ANNEX I and II) images of the

individual nougats and the assortment are provided. The assortment is composed of hard almond nougat, soft almond nougat, chocolate nougat with almonds and toasted yolk nougat.

Another product offered by the company is dried fruit (ANNEX III). There exists a variety of dried fruits and dipping nuts dipped in chocolate. Not all the nuts are covered in chocolate, Sabor a España also offers salty nuts. The company also offers the possibility of acquiring an assortment of salted caramelized dried fruits and nuts. These salted and caramelized dried fruits can also be bought individually.

The company's candied dried fruit is another field of expertise (ANNEX IV). They are different from salty caramelized nuts in that they are dipped in syrup or compote as opposed to honey and salt in the case of salty caramelized nuts.

Chocolates are the last product offered by Sabor a España. In this section of its website, the company simply informs the customer that chocolate is an ingredient that may be found in several of its products, such as chocolate nougat, chocolate dipped nuts for example.

Other products

In addition to the wide variety of sweets they offer, in Sabor a España there can be found a wide variety of cheeses, oils, wines or honey. The firm has a wide catalog with an immense variety of high-quality honeys, since they are classified as 100% pure honey and can be found in unusual flavors. The company also offers diverse types of pâtés. Images of these products can be found in (ANNEX V).

Other services

As Christmas approaches, one of the most frequent purchases are Christmas baskets. Traditions flourish throughout this time of year, and tradition is a beautifully present value at Sabor a España, that is why the company offers services related to the preparation of Christmas baskets, both for individuals and companies, as well as gifts and gourmet assortments for companies.

Financial analysis

A financial analysis of Sabor a España will be done in this section. The company's financial ratios will be calculated by studying this analysis. Ratio analysis is a mathematical technique for analyzing a company's financial statements, such as the

balance sheet and income statement, to gather knowledge about its liquidity, operational effectiveness, and profitability. The purpose of using these ratios as tools is to summarize financial data and the company's health. All the data used to calculate the ratio has been obtained on Sabi and the Balance Sheet as well as the Income Statement can be found in ANNEX VI and ANNEX VII, respectively.

The following Table shows the results of the debt, solvency, liquidity and working capital ratios from 2018 to 2021. An explanation of what these numbers mean for the company will be explained after it.

Table 1. Sabor a España's financial ratios

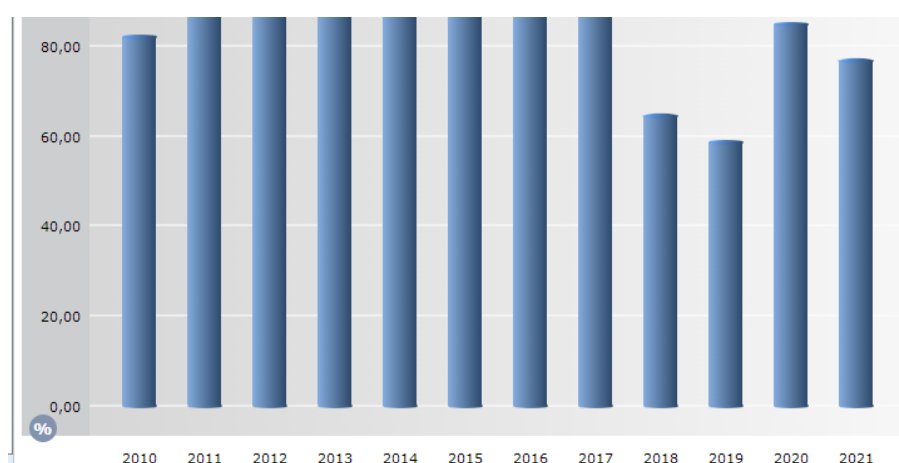
	2018	2019	2020	2021
DEBT RATIO	1,81	1,41	5,58	3,28
SOLVENCY RATIO	1,55	1,69	1,18	1,30
LIQUIDITY RATIO	1,23	1,67	2,42	1,34
WORKING CAPITAL	124404,00	475612,00	672408,00	475933,00

Source: Own elaboration from Sabi (2021) data

Debt ratio: To determine whether the amount of the entity's debt is appropriate for its own resources, the debt ratio puts into perspective the proportion between the financing the business receives and its own resources.

The debt ratio involves dividing the amount of the entity's net worth by the amount of its total passivity, so the net amount is divided by the passive one. Both values involved to obtain this ratio are obtained from the company's situational balance sheet (ANNEX VI). A ratio of debt above 0.60 indicates that the business is overly indebted (Contabilidae, 2023). As can be seen in Table 1, the company does not have satisfactory results in this ratio. In fact, in the following figure, Figure 3, it can be seen the indebtedness of the company where 2020 and 2021 stand out.

Figure 3. Indebtedness of Sabor a España



Source: Sabi (2021)

Solvency ratio: This ratio measures the ability of the business to deal with paying all its debts and obligations.

The values taken into consideration are current and non-current assets and current and non-current liabilities. Thus, it is a division of the non-current assets by the noncurrent liabilities.

This ratio is harder to analyze since the same ratio value may be entirely wrong in some situations but quite appropriate in others since every company has unique qualities and works in a sector with distinctive characteristics of its own, even its geographic location can make different solvency ratios fit or not. Contabilidae (2023) explains that according to many economists, the optimal solvency ratio should be about 1,50, meaning that if the result is below 1.50, the entity's solvency level is insufficient. Thus, the lower the ratio, the higher the danger of investor mistrust. As it can be seen in Table 1, the company had a good solvency ratio in 2018 and 2019 but it deteriorated in 2020 and improved again in 2021 but not enough. This decrease in the ratio can be caused by the pandemic.

Liquidity ratio: The liquidity ratio demonstrates the company's capacity to confront its short-term loan obligations.

It is calculated dividing the current assets by the current liabilities. It is believed that the liquidity ratio is at its ideal level when it is close to 1.5 (Contabilidae, 2023). This implies that if the outcome is much less than 1.50, the firm lacks the solvency to pay its short-term obligation. Now, for Sabor a España even if in some years the ratio has been below

1.5 it is not a substantial difference. The decrease in 2021 of the ratio value is most possible a consequence of the pandemic.

Working capital ratio: This ratio represents the portion of current assets that are financed by funds that are not included in current liabilities, such as funds from shareholders' equity or non-current obligations. This means that not all present assets are required to pay the debts maturing in the short term, but rather that some of them can be used for other reasons, which is also incredibly significant.

It is obtained by subtracting the current liabilities to the current assets (Contabilidae, 2023). As before, finding the proper amount of working capital will entail considering several factors that differ from one company to another, so it is hard to point to a certain value as the optimal value. Nevertheless, Contabilidae (2023) explains that a positive working capital shows that current assets are financed in part with permanent resources and that current liabilities are greater than current assets. This circumstance is good for the company's health because it will enable the business to make investments as well as settle short-term bills that are due. The ratio is positive throughout all the years decreasing again in 2021 like the rest of the ratios.

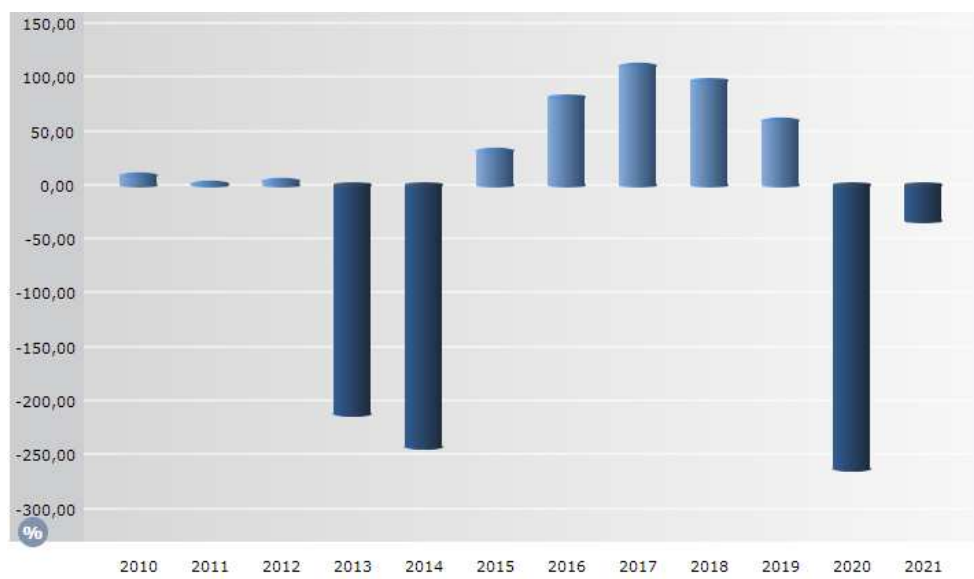
Although the company's financial status is not ideal overall, it nonetheless enables it to continue operating and has some potential for expansion. The company's health probably declined in 2021 because of COVID 19. Even though the company's health was compromised, this does not prevent the possibility of future growth and success.

Return on Equity: Return on equity, also called ROE, measures a company's financial health and its ability to pay its shareholders. It is a financial performance indicator that is calculated by dividing a company's net income by its shareholders' equity. Net income is the sum of a company's income, net expenses, and taxes for a certain time. By adding equity at the start of the period, average shareholders' equity is determined.

What this ratio measures are the company's profitability and how effectively it makes profits. The higher the ROE, the more effective management is at generating income and growth from equity financing, hence, the better it is at converting equity financing into profits. It should be said that the ROE will differ according on the industry or sector in which the company works. (Investopedia, 2023)

In the following figure, Figure 4, the evolution of this ratio throughout the years can be seen. Holded (2023) explains that if the outcome of this formula is excessively low or negative, it is a strong indication that the company's economic management in general is weak, and its growth prospects are quite limited. As shown, the years 2013 and 2014 had a negative ROE, which signified that there was negative net income (losses) for the period in question. This means that the company's stockholders are losing money on their investment. One reason for this could be the opening of additional stores, which required a significant investment and so resulted in expenses exceeding income. From 2015 through 2017, the company obtains positive and increasing results, but in 2018, it begins to decline again, eventually achieving the worst negative result in the company's history in 2020. A source of such a negative ratio might have been the pandemic, which may have led the company to reduce its sales, especially since it is a new brand that isn't widely in Spain. It should be noted that, even if the ROE remains negative in 2021, the progress from 2020 to 2021 is outstanding and can demonstrate the company's potential to improve and a prospective trend toward better performance in the following years.

Figure 4. Return on Equity ratio of Sabor a España



Source: Sabi (2021)

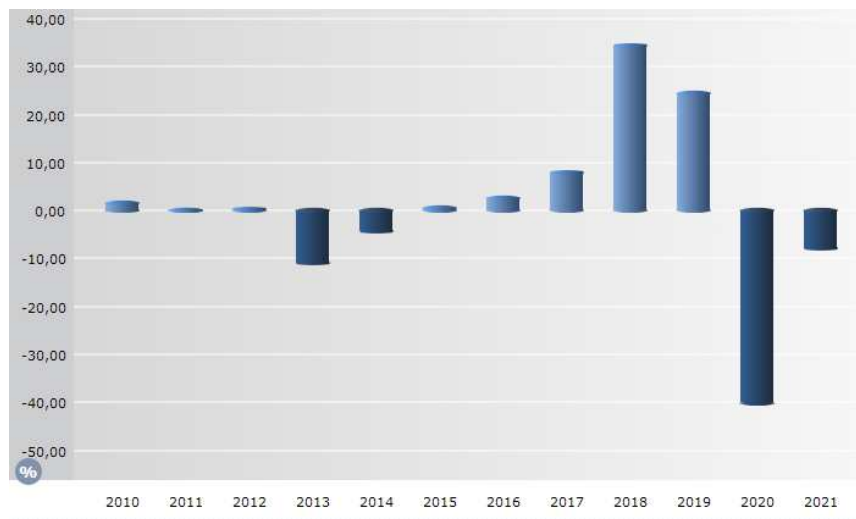
Return on Total Assets: Return on Assets, also known as ROA, calculates the profitability given by each asset invested in the business by dividing the profit by the total asset value. This ratio measures economic profitability while the ROE measures financial profitability. ROA and ROE both assess how successfully a company uses its resources. However, one of the most significant contrasts between the two is how they approach a

company's debt. ROA considers a company's leverage or debt load. ROE, on the other hand, simply assesses the return on a company's equity and ignores its liabilities. Thus, ROA considers a company's debt, but ROE does not. The more a company's leverage and debt, the higher its ROE relative to ROA. As a result, as a corporation incurs more debt, its ROE exceeds its ROA. (Investopediab, 2023)

So, overall, ROA is a financial ratio that measures a company's profitability in relation to its total assets. It is stated as a percentage calculated by dividing the company's net income and by its total assets. A greater ROA shows that a corporation is more effective and productive in managing its balance sheet to generate profits, whilst a lower ROA suggests that there is still room for improvement.

As shown in Figure 5, the evolution of this ratio follows the same patterns as the ROE ratio. It has negative values in 2013 and 2014, then improves and reaches its peak in 2018 but right after it begins to decline again, reaching its lowest point in 2020 and improving again in 2021 but without achieving positive values. Sabor a España's negative ROA indicates that business is investing a substantial amount of money in production while generating little income. The causes for these unfavorable results could be the same as those described previously, such as the opening of new stores and the pandemic.

Figure 5. Return on Total Assets ratio of Sabor a España



Source: Sabi (2021)

Now, a comparison of Sabor a España's financial status and that of some of its competitors will be studied. Section 3 of this paper explains that the following companies are some competitors of Sabor a España within the sector: Agricultores del Arlanza S.L and Bodega

Castell de Sant Ferran S.L. A variety of ratios can be employed to compare the financial situations of these organizations; however, in this case, ROA will be used. The ROA ratio was chosen as the comparison ratio because it is most successful when used to compare companies in the same industry or, preferably, with the same amount of market capitalization because it focuses on the company's efficiency in utilizing its resources. (Ulloa, 2023)

Ulloa (2023) explains that because it focuses on shareholder profit, ROE is regarded as the best statistic for comparing a company's profitability. However, ROE does not take into consideration the company's debt. As a result, if the company has a balanced financial structure and little borrowing, ROE may be a valuable alternative for measuring its profitability. However, if the organization is severely indebted, ROA is a more objective and accurate estimate of profitability. This is the situation with Sabor a España. Because the solvency ratio revealed that the company has a big debt, utilizing the ROE as a comparison ratio is insufficient. ROA, on the other hand, is concerned with the return on assets of the company regardless of the source of funding. As a result, this ratio provides a more objective assessment of the company's profitability.

The competitor's return on total assets ratio is presented in ANNEX VIII and ANNEX IX. ANNEX VIII belongs to the Agricultores del Arlanza ratio, whereas ANNEX IX belongs to the Bodega Castell de Sant Ferran ratio. Bodega Castell de Sant Ferran consistently achieves very high results in this ratio, which differ significantly from Sabor a España's findings. This suggests that the company understands how to use its assets to generate revenues better than Sabor a España. However, like Sabor a España, it has a negative value in 2020. This was most likely due to the epidemic.

Agricultores del Arlanza has a low but positive ratio over the years, so even if the differences in results compared to Sabor a España are not as diverse, the company still has positive results, implying that they are more consistent in their approach to managing their assets to generate profits. Unlike Sabor a España and Bodega Castell de Sant Ferran, this firm achieved positive results in 2020 and improved significantly in 2021. It can be said that the company was able to respond rapidly to the pandemic and maintain profitability even when demand was low.

Overall, both companies outperform Sabor a España, implying that they understand better how to maximize earnings based on their own assets, which means that their assets provide higher returns than Sabor a España's assets.

3. SECTOR ANALYSIS

3.1 Sector analysis in Spain

As previously stated, the sector or industry in which the company Sabor a España operates in, is classified as CNAE 4729 (Other retail sale of food in specialized stores).

In the sectorial ranking of businesses that carry out this activity, Sabor a España is ranked 171st (see Annex X). Additionally, the company is also in position 781 in the Córdoba ranking (see Annex XI) and in position 68,446 in the national ranking of companies (see Annex XII).

Figure 6. Ranking evolution 2020 vs 2021 based on sales.

Evolución posiciones 2020 vs 2021 - Ventas			
Ranking	Posición 2020	Posición 2021	Evolución Posiciones
Nacional	79.976	68.446	11.530 ↑
Córdoba	918	781	137 ↑
Sector CNAE 4729	290	171	119 ↑

Source: INFORMA (2021)

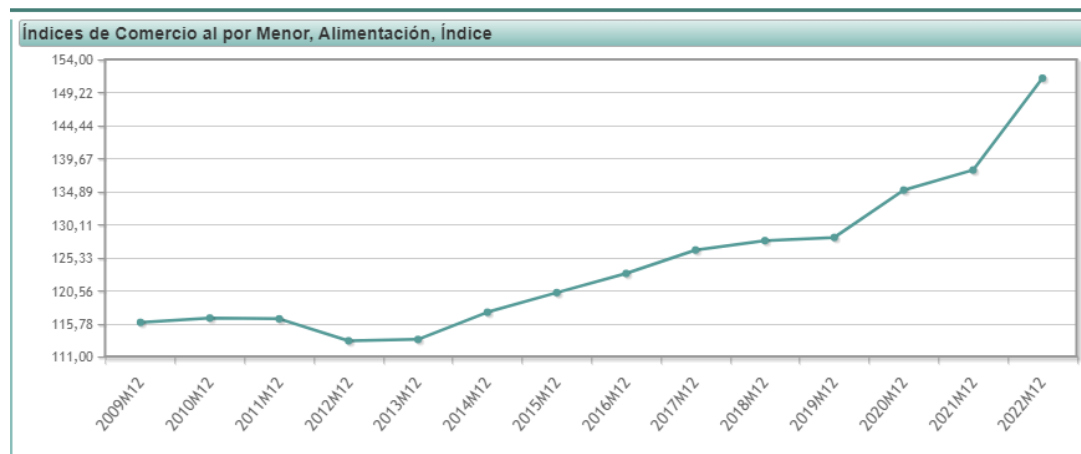
The organization has improved its placement across all three categories, with the national ranking showing the highest improvement. As can be seen in Figure 6, the company has distinguished itself in the sector by rising 119 positions in the sector ranking in 2021, from position 290 to position 171. In the sector ranking, the following companies have a better position: Agricultores del Arlanza S.L and Bodega Castell de Sant Ferran S.L, which as explained in Section 2, show better financial status than Sabor a España; below the company are companies such as: Cafes El Magnifico S.L and Arrakasta-elkarrekin Sociedad Limitada.

Additionally, it has advanced in the national rankings, rising 11,530 places from position 79,976 to 68,446. The enterprise has also climbed 137 spots in the provincial rating.

In conclusion, Pals e Hijos Import S.L.'s primary business is the general management and operation of several grocery stores specialized in confectionery and it has improved in the sector rankings, establishing itself as a top business in the competitive sector.

This rise in the business ranking could be a result of the active retail market existing nowadays. As seen in the following figure, Figure7, the evolution of this sector in Spain has been increasing since 2014, having major raises from 2019 onwards.

Figure 7. Evolution of the retail sector from 2009 to 2022



Source: Instituto Nacional de Estadística (2023)

As shown in Figure 7, it is obvious that robust growth is being seen in food retail activity. In Spain, there are 353 square meters of retail food shop space per 1,000 people. Asturias, which has an area of 448 square meters, is at the top of the list by region (Corrales, 2020). It is noteworthy to highlight that Sabor a España owns a store in Oviedo, capital of Asturias.

However, there have been some forces that have restrained this industry as well. One of those challenges is caused by the markets and their national differences. Over the past few years, food retailing in Spain has undergone a revolution that first started in America. Traditional grocery shops are gradually going out of business as supermarkets grow in number and, particularly, in market share (Vignali, 2001). Thus, the structure of the sector is slowly changing, and it takes time for firms to adapt to these structural changes.

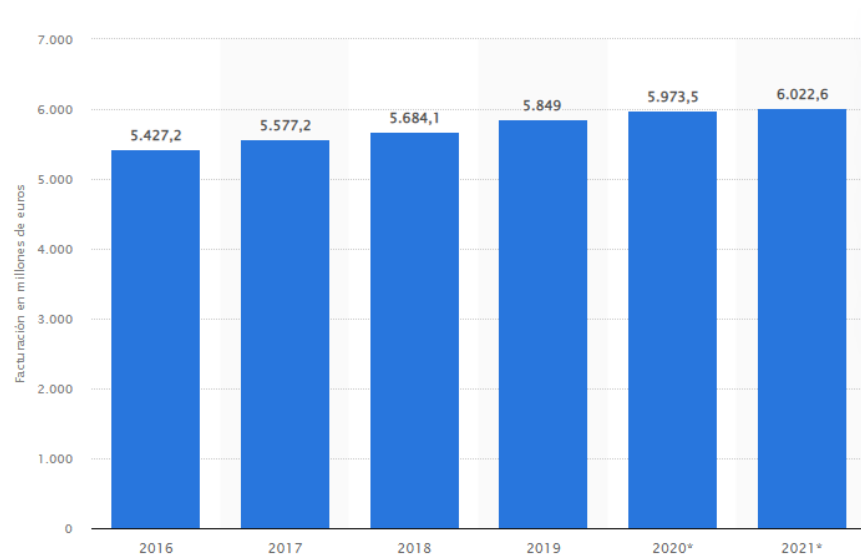
Nevertheless, markets are also a force that speeds up the globalization of the sector. Food consumption has reached a quantity saturation point due to the rise in supermarkets and the decline in traditional grocery stores, and consumer food options are now more varied than in the past. Consumer tastes become more diverse as a result. Food quality is

becoming more crucial in this oversaturated market climate. As a result, organic food production and consumption have increased recently. (J.M Gil, 2001)

As mentioned before the sector being analyzed is CNAE 4729 (Other retail sale of food in specialized stores). Until now, information about the retail sector in Spain has been provided, yet we also must focus on the second part of the code name about specialized stores, which in the case of Sabor a España, their specialization consists of confectionery or sweets products. Hence, an analysis of the confectionery sector in Spain should also be provided.

From Figure 8, it can be observed that sales contributed to about 6,023 million euros in income for the Spanish confectionery sector in 2021. This was an increase over the previous year's record of almost 49 million. Figure 8 also demonstrates a growth in sales year after year.

Figure 8. Revenue from sales of the confectionery industry in Spain between 2016 and 2021

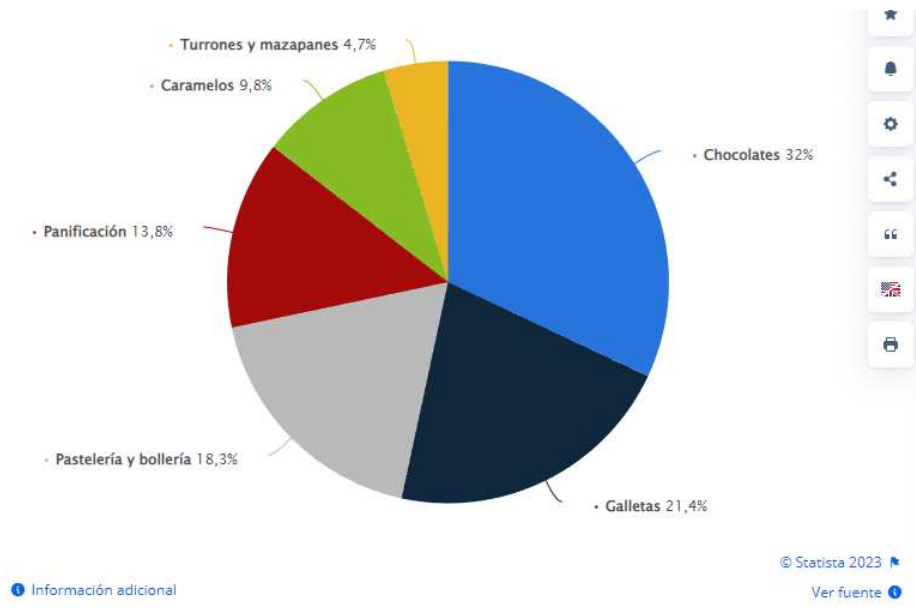


Source: Statista (2022)

However, the confectionery sector involves many different products. In the following figure, Figure 9, the percentage distribution of the different products within the confectionery sector are shown. In this case, the sale of chocolates accounted for almost 30% of the entire revenue the confectionery industry in Spain earned in 2021. It consequently became the primary source of income, making chocolates the most important product within the confectionery sector. The second most sold product are

biscuits, which amounted to 21.4% of the sector sales, followed by pastry and bakery products with 18.3% of the sales. In the last position, marzipan and nougats can be found, which contributed 4.7% of the overall sales.

Figure 9. Percentage distribution of the sales value of the confectionery sector in Spain in 2021, by category



Source: Statista (2023)

Spain has a long history of confectionery consumption, and the local manufacturing industry is well-established, innovative, and export oriented. Before resuming its pre-crisis development trajectory, confectionery product consumption reached its peak during the first Spanish lockdown. While regulatory pressure is rising, the main challenge for brands is to combine pleasure and health. (Businessscoot, 2023)

3.2 Sector analysis in Europe

It is feasible to observe some broad patterns among European retailers, such as concentration, reorganization, or the closing of the typical small store, as we have seen with Spain.

However, each country's rate at which these changes are occurring is quite different. This explains the reason European food retailing structures continue to be distinctly different from one another. For example, northern Europe and southern Europe diverge to some extent. In general, there are fewer big multiple operators in northern countries. These nations also have more advanced retail than in the south of Europe. (Science Ltd, 2002)

Dawson (2010) states that the retail industry in Europe has undergone significant restructuring since the early 1990s. EuroCommerce and McKinsey performed grocery retail surveys across Europe in January 2021. Three major shifts have a significant impact on these trends: online becomes the core, value reigns supreme once more, and consumer lifestyle agendas drive demand by emphasizing convenience, sustainability, and healthy eating. These changes became recurring tendencies in many European markets. (Burt, 2010)

Veraart Research Group (2023) is an expert supplier of management data on consumer markets, particularly retail. A unique resource for practical rankings of food retailers in Europe and other major nations is their internet database with currently approximately 1050 profiles of food stores. According to their statistics, all European food retail shops generated €2.4 trillion in revenue in 2020. France, Germany, Italy, the United Kingdom, and Poland are some of the highest-earning nations in Europe in terms of revenue. These are the largest retail chains: French Carrefour, German Schwarz, and Rewe Group (Germany) and Tesco (UK). (Research, 2023)

Having analyzed the food retail sector in Europe, let's focus now on the confectionary and sugar specialty that we are also analyzing.

Based on an analysis that Intelligence (2023) carried out, Europe's confectionery market is expected to grow by 3.1% during the forecast period 2021 to 2026.

In the study they also mentioned that although it may not be a necessity, consumers turn to confectionery in uncertain times as a source of enjoyment and convenience. Most confectionery items are available at supermarkets and other food stores throughout Europe. These food retail stores continue to operate, and e-commerce is quickly gaining market dominance. Additionally, COVID-19 has created opportunities for numerous private label players to enter the markets to satisfy the inflated demand.

Several brands with a long history in the retail sector and traditional significance are present in the market. To increase their appeal among European consumers, several confectionery companies are also increasing their product line by including a new variety of goods with higher nutritional value, new product formats, and new packaging formats. (Intelligence, 2023)

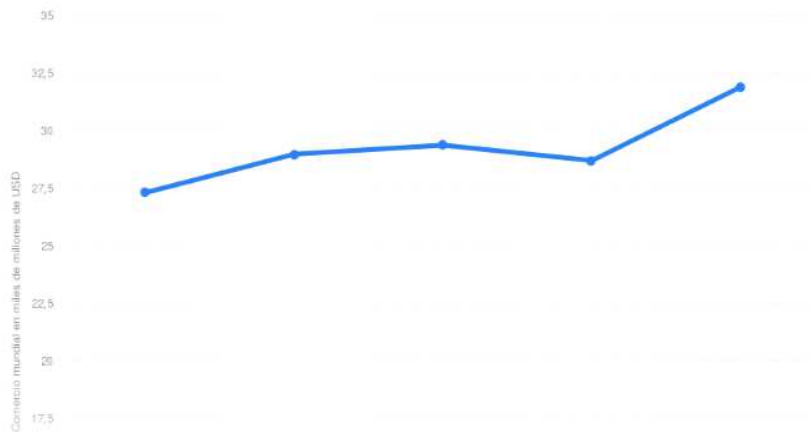
Ferrero International SA, Mondelez International, Mars Incorporated, and Nestlé SA are examples of some of the major businesses that dominate the competitive European confectionery sector.

3.3 Sector analysis worldwide

Now, let us provide some data about the confectionery sector worldwide.

As shown in Figure 10 and analyzed by StatistaC (2023), the value of the world's confectionery trade rose by about \$5 billion in 2021 compared to the previous year, totaling \$44.44 billion. Of that amount, nearly 72% was accounted for by chocolate and other cocoa-based food products, which has established itself as the leading category within the global confectionery sector.

Figure 10. World trade value of confectionery products from 2017 to 2021



Source: Statista (2023)

In the following figure, Figure 11, it can be seen which countries have a larger market size in the confectionery worldwide market in 2020.

Figure 11. Confectionary Market: Market Size (%) worldwide in 2020



Source: Intelligence (2023)

Looking at Figure 11, it can be said that Russia possesses the highest market size of the sector. Various confectionery products have become increasingly well-liked in Russia over time. According to World Food Moscow, Russians consumed more sweets in 2018 than they have since the collapse of the Soviet Union, when the average per-capita intake was 25.5 kg. Russia has a robust import market for confectionery; for instance, in 2017 the country brought in 25% more chocolates and sweets than the year before. Previously dependent on Ukraine, the nation has a strong preference for chocolate made in the EU. (IntelligenceB, 2023)

But it is not only Russia the one consuming vast amounts of confectionery goods. The confectionery market is expanding gradually on a global scale, with Asian nations particularly driving this development. Mars Inc., Ferrero Group, Mondelez International, Meji Co., Hershey Co., and Nestlé SA are a few of the biggest corporations (Businesscoot, 2023).

As I mentioned before chocolate and other cocoa-based food products have established themselves as the leading categories within the global confectionery sector.

In a study carried out by Quintero R (2004), Figure 12 presents a table showing the top 20 consumer countries of cocoa in the world. As it can be seen the countries consuming more cocoa based products in 2004 are USA, Germany, UK, France, and Russia.

Figure 12. Top 20 consumer countries of cacao in the world

Los 20 principales países consumidores de Cacao (Consumo equivalente en grano para el cuatrienio 1992/93-1995/96)			
Consumo final		Consumo final per cápita	
País	Miles de t	País	Miles de t
EE.UU	557,1	Bélgica/Lux.	5,73
Alemania	245,3	Suiza	3,97
Reino Unido	189,8	Islandia	3,95
Francia	160,5	Reino Unido	3,26
Fed. Rusa	169,7	Austria	3,14
Japón	119,7	Alemania	3,01
Brasil	95,8	Dinamarca	2,82
Italia	80,1	Noruega	2,82
Bélgica/Lux.	60,2	Francia	2,77
Canadá	59,5	Malta	2,43
España	56,5	EE.UU	2,13
México	47,5	Nueva Zelanda	2,06
Polonia	46,5	Canadá	2,02
Colombia	41,9	Australia	1,91
Australia	34,4	Suecia	1,71
Argentina	32,1	Rep. Eslovaca	1,60
Suiza	27,7	Rep. Checa	1,55
Austria	26,3	Israel	1,48
Países Bajos	22,5	Países Bajos	1,47
China	20,2	España	1,41

Source: Quintero (2004)

The production and trade of basic confectionary products, such as cocoa beans, are the foundation of the national economies of the majority of developing nations, making these trades of great significance.

The development of the global market for food items has been significantly impacted by several key changes in the world economy that have occurred in recent years. Among other things, these developments include the process of trade openness and market liberalization, the strengthening of institutions governing international commerce, the consolidation of economic blocs, and the development of modern technologies in the fields of commodity production and trade.

4. SELECTION OF A NEW MARKET

In this section, an analysis will be done to determine which potential new market would be the greatest place for the debut of Sabor a España's internationalization strategy to start its global expansion. This strategy will involve several analyses to determine where to expand, and how the company will do so, which will be explained in section 5 and 6 of the paper.

As mentioned in previous sections, the company is only currently present in Spain, so the potential for expansion is essentially limitless. However, the study that will be conducted will pay particular attention to three countries while also considering several important characteristics and potential limits.

Following the previous analysis of the food retail sector and of the confectionary sector on a European and global scale, it can be stated that Germany, Japan, and the United States will be the three most attractive and profitable countries to target.

The election has been based mainly in the countries' market positionality within the food retail sector, specifically the confectionery sector, where Germany is a leader in the market since it has had one of the highest earning revenues in Europe. Moreover, as previously mentioned, the European confectionery market is expecting a growth of 3.1% until 2026.

In the worldwide scope, the confectionary market has been increasing since 2021 and has showed a stable growth as it can be seen in Figure 7, establishing a leading product within this market which is chocolate and other cocoa-based products. As shown in Figure 9, USA is the biggest consumer of chocolate and cocoa based products followed by

Germany. The reason behind the selection of Japan is because it occupies the 6th position on said table and because the confectionery market is expanding in that part of the globe being Asian countries the main drivers of the development, which can ensure a boom in the sales of the products that Sabor a España could potentially provide.

Although Russia is above Japan in the table, it has not been considered a possible target due to the current war the country is involved in and the consequences the conflict is having in the country's economy, making it more unstable and less trust-worthy which will affect the study of the country by providing unreliable and uncertain data.

For the analysis of these regions, the tool called Porter's Diamond is going to be used. The Porter Diamond Theory (1991) is a model created to comprehend the competitive advantage that countries or industries possess due to specific variables available to them that can allow a competitive benefit for a particular nation's economy or market over another. It is called the diamond theory because every diamond point represents one of the interrelated factors this theory considers essential for analyzing economic advantages. These four factors are the demand and factors conditions, the company's strategy, structure, and competition, and lastly the related sectors (Investopedia, 2022). A fifth factor is also considered, related to two external variables which are the government's influence and casual events.

4.1 GERMANY

Germany is the fourth-biggest economy in the world and the largest in the European Union and has a GDP that aligns with a highly developed economy. The country has a population of more than 84 million people and has Berlin as its capital. Moreover, Germany's Gini coefficient in 2021 was 30.9, with 0 representing maximum equality and 100 representing maximum disparity in the distribution of disposable income. Overall, Germany is ranked 18th in the EU-27 with this value. To compare, Spain is ranked 24th in the same ranking with an index of 32.1. Lastly in the ranking of Doing Business, which indicates the economy's business laws and how they encourage the establishment of businesses and their operations, Germany possesses the position 22 (WorldBankGroup, Doing Business, 2023).

1. Factor conditions

Human and physical resources

Based on data provided by Commission (2022) at the beginning of 2022, 45.1 million individuals had jobs, and in 2023 it has increased to 45.6 million as Bundesamt (2023) indicates. Also, the last unemployment rate registered was 2.9% in March 2023.

Hence, it can be said that the employment situation in Germany is steadily improving, led by higher employment rates, particularly for women, older workers, and migrants. Since 2004, the percentage of women in the workforce has increased.

This increased demand for labor has led to a decrease in the unemployment rate. Also, young people's unemployment rates are even marginally lower than those of adults. One of the key success factors in reducing youth unemployment and skill gaps is the double career education and training system that the country has. (Parliament, 2020)

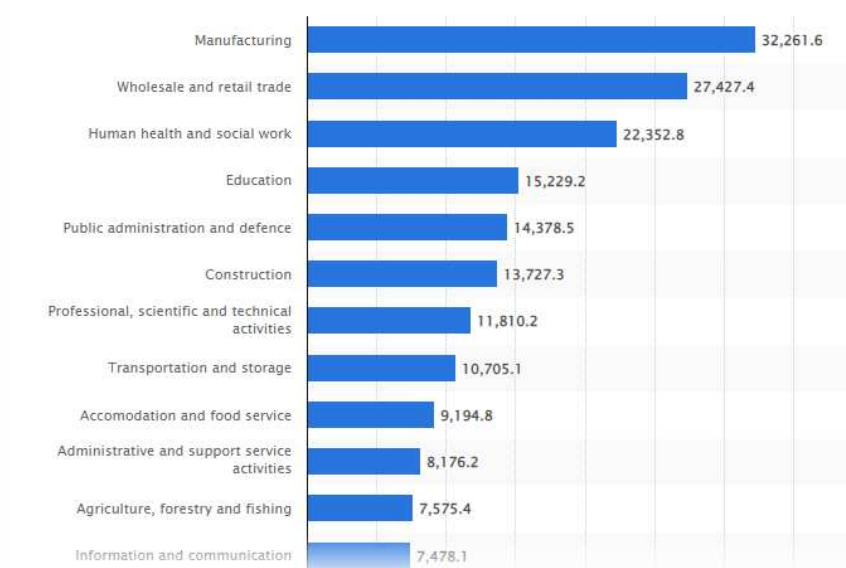
Figure 13. Employment rate in the European Union in 2022, by country



Source: Statista (2023)

As it can be seen in Figure 13, the German-speaking nation, which has an employment rate above the European average, is ranked fourth when compared to the other member states of the European Union in terms of employment rates.

Figure 14. Number of employees, by sector in the European Union (EU27) in 2022



Source: Statista (2022)

Germany is the only European option out of the three markets chosen to possibly internationalize Sabor a España. Figure 14 shows the number of employees the European Union has by sector. As shown, the wholesale and retail sectors are in second position in the ranking, making it one of the sectors with the highest employability in Europe.

Regarding to wages, in 2021, the average gross wage in Germany, considering all allowances, extra incentives, and payments, was 4.100 euros for one month of employment. Although, it must be highlighted that women made less than 576 euros a month on average in 2021, which accounts for a difference of 13.5%. The wage difference between men and women, however, has been progressively decreasing over the past few years. (RU-GELD.DE, 2023)

Overall, millions of people work in 619,000 enterprises in the German food industry. The sector is dominated by small and medium-sized businesses and numerous family businesses. It continuously makes investments in the future of the labor market and gives jobs to 11.4 percent of the workforce. Nearly 145,900 apprentices receive a start in their careers in this sector each year. (Deutschland, 2023)

Technical and market knowledge

Germany is one of the nations with the highest business friendliness and ease of doing business, according to the World Bank Group (2023) Doing Business report. It comes in

at number 22 out of 190 nations overall and at number 7 among the member states of the European Union.

Trade between Spain and Germany is not constrained by trade restrictions or barriers because both nations are members of the European Union. On top of that, there are no special taxes or applicable tariffs. (ICEXEspaña, 2021)

Finally, Berlin, Ruhrgebiet, Hamburg, Munich, Stuttgart, Frankfurt, Cologne, Dusseldorf, Nuremberg, and Dresden are the top cities in Germany for confectionery sales. (ANNEX IV)

Infrastructures

In Germany, during the 1930s, the first large-scale motorway network in the world was built to the point that now there are 625,000 km of roads and highways in the network, covering the entire country. This amounted to 7.51 meters for each of the 83.20 million people that call the country home. It is a curious fact that some of the highways do not have no speed limits and are the only ones in the European Union with these characteristics. Nevertheless, Germany's roads are thought to be quite safe. According to this, there are 4.1 fatal accidents for every 100,000 people per year. Comparatively, this number is 12.3 in the USA and 17.0 globally. (WordData, 2020)

But the infrastructure of this country extends beyond its terrestrial infrastructure. Additionally, they have efficient air, marine, and train infrastructures.

It must be emphasized that Germany is also a world leader in canal construction. Especially for the Kiel Canal, which is one of the most significant navigable canals in the world today and a vital route for trade between the Baltic states and the rest of the world. Other commercial canals are those of the Rhine-Main-Danube, Dortmund-Ems, and Elbe-Seitenkanal, which give the nation an interconnected network of waterways very beneficial for their commercial trade. (WordData, 2020)

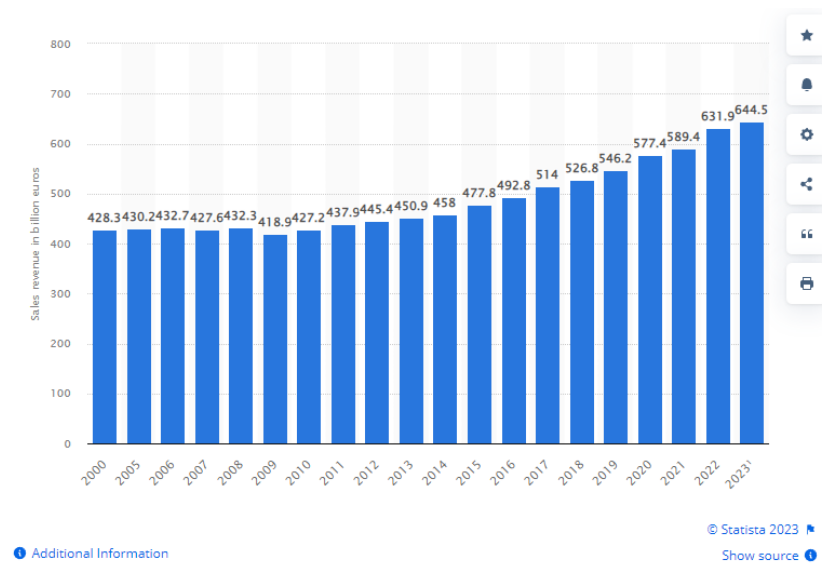
2. Demand conditions

Size and growth

Regarding the German market, it is crucial to consider that country's location in the middle of Europe, which grants it some commercial advantages over other nations.

The size of the German market and the expanding consumer relevance of the food industry are two things to keep in mind if entering this market.

Figure 15. Food retail sales revenue in Germany from 2000 to 2023

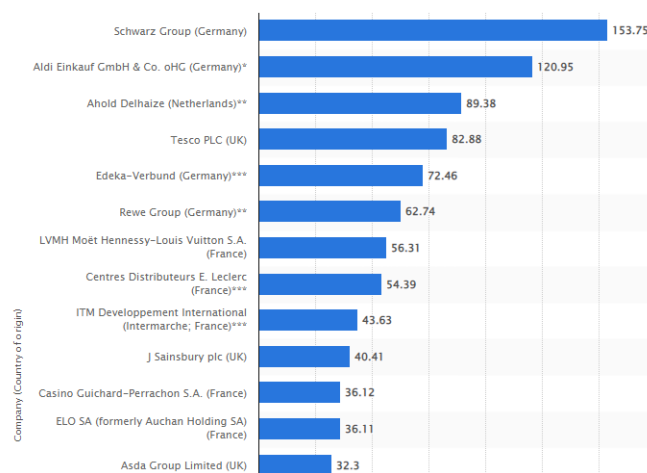


Source: Statista (2023)

Looking at Figure 15, it can be said that since 2009, Germany's food retail sales revenue has been steadily increasing. The German food retail industry generated sales of over 632 billion euros in 2022. So, there is a high demand in the German market.

In fact, the following graph presented in Figure 16, shows that The Schwarz Group, with headquarters in Germany, was the largest retailer of food and drink in Europe in 2021, with sales of about 153.75 billion dollars. Additionally, the second-largest retailer was also situated in Germany.

Figure 16. Leading food and beverage retailers of Europe in 2021, based on retail revenue in billion euros.



Source: Statista (2023)

When it comes to the confectionary sector, the amount of cocoa beans processed in Europe has increased once more in recent years, being Germany the country which produces more chocolate.

But the country does not only stand out because of its great production of cocoa beans but also for their consumption. In fact, Germany is a sizable market for cocoa and chocolate, offering numerous prospects for exporting nations in both the general and luxury markets, particularly the latter. This growth is mainly driven by the big organic and sustainable cocoa market and the rising demand for darker chocolate. Overall, Germany is a significant chocolate consumer as well, with the highest per capita consumption in Europe. (CBI, 2022).

Mintel Group Limited (2023) conducted a report about the chocolate confectionery Germany Market and stated that consumers view the chocolate confectionery as an accessible luxury.

The Group identified that one factor that has impacted the market is inflation. This inflation is mainly caused by the increase in prices because of the war. However, retail sales have been aided by the widespread perception among consumers that chocolate is a comfort food and mood enhancer, which is especially relevant in uncertain times. The reputation of chocolate candy in Germany as an affordable luxury makes it an appealing treat for people with limited household budgets.

Finally, the report claims that the market will profit from the consumer's enduring desire for sweet delicacies. However, customers' attention to their health will slow down sales growth and overall quality will be preferred to quantity.

Overall, it can be said that the demand in Germany for confectionery products is high and constant throughout the years and there is a lot of population with high purchasing power.

3. Related and supportive sectors

When it comes to suppliers, Germany has many companies that can fill this position, but two of them can be highlighted due to their expertise, experience, and knowledge. Norevo is an example of a major supplier in the German confectionery market. This company is a well-established and globally active firm that specializes in the trading and processing of natural raw materials. It has been doing so for almost a century and it has become an

internationally recognized supplier and consultant for various firms in the confectionery industry. (Norevo, 2023)

The other well-known supplier company within the confectionery industry is Candela Bio-Handels GmbH, which is Candela Peru's European subsidiary. They supply European food industry customers from their facility in Germany, even in small quantities. (Candela, 2023)

As for distributors, hypermarkets, supermarkets, convenience stores, food and beverage specialists, and online retailers make up the major distribution channels in the German confectionery sector. Due to changes in the retail sector, the industry is seeing significant online sales growth. Consumers prefer to buy products from online retailers since they can save a lot of money. As a result, sales of confectionery are increasing as quickly as they can in Germany via platforms like Amazon, eBay, Otto, Tchibo, and Weltbild, which are also among the industry's major online participants. The German Retail Association reports that in 2021, the online food industry in Germany, including sales of sweets, acquired a market share of 2.7%. (IntelligenceC, 2023)

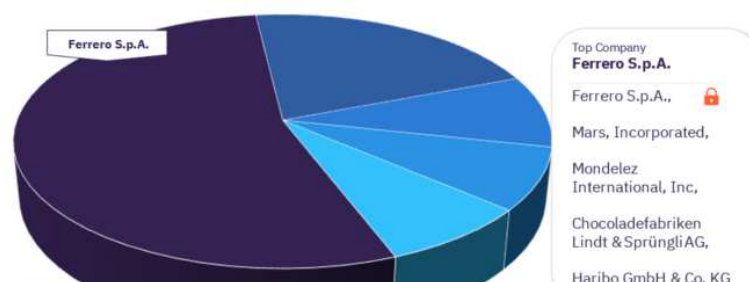
4. Strategy, structure, and competition

In Germany, the food retail market is highly consolidated and clearly oligopolistic with most firms in the sector being small and medium enterprises.

The four largest companies are Edeka, Rewe, Aldi, and Schwarz and they represent more than 85% of the market. (ICEXEspana, 2021)

If we focus on the confectionery sector, the competitive landscape shows the same situation as the general food retail sector. There are some leading companies that possess almost the totality of the market share as it can be observed in the following figure.

Figure 17. Germany Confectionery Market Analysis, by Leading Companies



Source: Global Data (2023)

As it can be seen in Figure 17, Ferrero S.p.A., Mars Inc., Mondelez International Inc., Chocoladefabriken Lindt & Sprüngli AG, and Haribo GmbH & Co. KG are a few of the top candy manufacturers in Germany. In 2021, Ferrero S.p.A. will hold the greatest market share for confections in Germany, more than half of the market share. This means that even if there are not a lot of competitors the competition is intense.

There exists as well, the Association of the German Confectionary Industry, also called BDSI, and represents the commercial interests of the German confectionery industry's primarily medium-sized businesses. Companies and institutions with a connection to the sector can apply for membership. About 90% of industry sales are accounted for by BDSI members (BDSI, 2023). This means that inside the German confectionery sector, this association holds significant power that benefits mainly German confectionery companies, potentially causing competitive disadvantages for companies from other nations.

However, BDSI claims that a unified supply chain law in the confectionery sector should exist. According to BDSI, German businesses are already a global leader in the confectionery industry and stick to approved sustainability requirements and preserve human rights. Because of this, BDSI demands for a unified EU supply chain law that incorporates sustainability, value chains, and responsible design into an EU law, so that every country in the union shares a common supply chain that is beneficial for organizations and the world. (WilliamReedLtd, 2023)

5. External factors

Causal events

One major causal event is the war between Ukraine and Russia, which crashed Germany's economy and the European Economic Area shortly after being hit by the coronavirus pandemic. These two events have had an impact on the competitive positions of enterprises within Germany and have shown how delicate the pillars of stability and peace are.

Government influence

The Federal Republic of Germany's economic development organization is called Germany Trade & Invest (GTAI). GTAI promotes Germany as a business place and helps foreign businesses establish themselves in Germany, by supplying details on the various industries, monetary and regulatory criteria, as well as the current funding options for the

potential sources of funding. On the other hand, at the regional level, there exist agencies with the same objective as GTAI. (GermanyTrade&Invest, 2023)

There exist also some regulations that must be considered when deciding on whether entering the German market. ICEX España (2021) conducted a study on the food sector in Germany, and details that in the country, there is a lot of legislation controlling food regulations. German law, which is mostly based on European directives or laws, requires that all foods manufactured or imported into Germany adhere to certain rules. There are also voluntary recommendations (also known as "Leitsätze") that provide a list of good manufacturing or marketing practices also known as "GMP" (good marketing or production techniques). Germany's state agency in charge of food safety regulations is the Institute for Consumer Protection and Food Safety (BVL).

There is also the General Labeling Regulation, which is applicable to packaged items supplied directly to consumers and it is the fundamental labeling requirement in Germany. It does not apply to the labeling of items that are packed for immediate consumer sale in retail establishments.

This last regulation, given that it originates from the same European directive, it is comparable to the Spanish Royal Decree on Labeling. The standard specifies, among other things, the content and format of the indicators that must be included on product labels, sales denominations, ingredients, and expiration dates. The simultaneous use of other languages in addition to German is acceptable, but the use of the German language is required. Even though the German language could be a challenge, English is frequently the preferred language. German is required, especially when dealing with legal and tax issues. (ICEXEspaña, 2021)

4.2 UNITES STATES OF AMERICA

The country of the United States, also known as USA or US, is in the north of the American continent and has borders with Mexico and Canada. It has a total area of 9.83 million square kilometers and is made up of 50 states and one federal district. The United States of America is the largest economy in the world. The country has a population of 331.8 million inhabitants. USA is the biggest economy in the world with the highest GDP worldwide. According with Gobierno Exterior (2021) USA's Gini coefficient in 2021 was 49.4, which puts the country almost at mid table. Despite having the greatest GDP in the world, the United States' Gini index reveals significant disparities in the distribution of

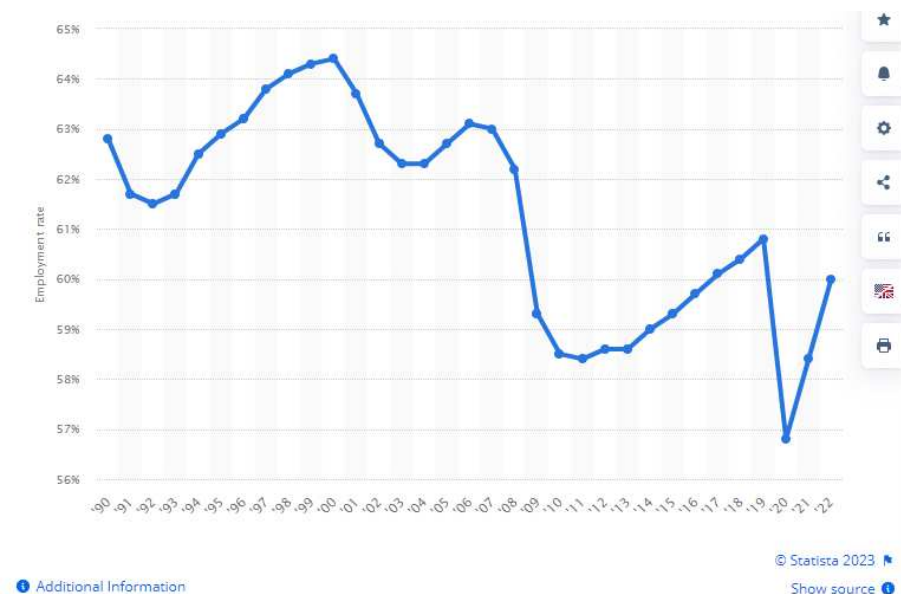
disposable income. In the Doing Business ranking, USA occupies the 6th position (WorldBankGroup, Doing Business, 2023).

1. Factor conditions

Human and physical resources

Since the middle of the 1950s, the labor force participation rate in the United States has been steadily increasing, going from 58.1% in 1954 to 67.2% in the first quarter of 2000. Following then, a declining trend started, and it got worse with the Great Recession catastrophe. As a result, in 2015 the activity rate dropped to 59.3%. Then, this activity rate appeared to slowly increase from 2015 to 2019, hitting 60.8% in February of that year. The Covid-19 problem limited this recovery, which resulted in a drop to 56.8% in May 2020. Since then, the activity rate has increased and, in 2022 with 165.8 million individuals employed, it reached 62.4% (GobiernoExterior, 2021). In Figure 18, carried out by StatistaI (2023) the just mentioned evolution of the employment rate can be seen.

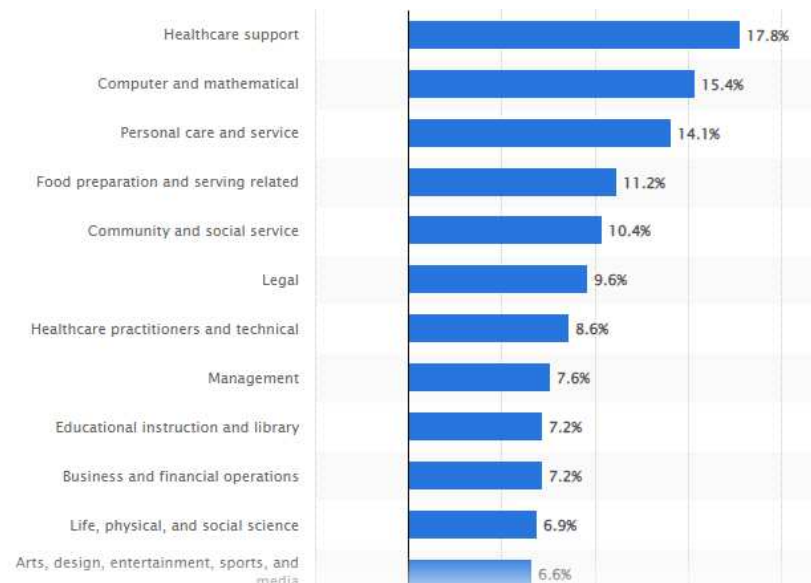
Figure 18. Employment rate in the United States from 1990 to 2022



Source: Statista (2023)

The expected employment rate per industry in the United States from 2021 to 2031 is illustrated in the following figure, Figure 19. The confectionary sector that we are examining falls under the food preparation and service-related industry, which is predicted to develop the fourth fastest in terms of employment, with an increase of 11.2%.

Figure 19. Projected employment change in the U.S. by major occupational groups from 2021-2031



Source: Statista (2023)

If we focus on the unemployment rate, it fell from 14.7% in April 2020 to 3.5% in 2022, which proves a positive evolution.

Deloitte & Datawheel (2022) declared that 12.3 million people are employed in the sugar and confectionery product manufacturing sector as of May 2021. Comparing this to May 2020, employment has increased by 6.34%. Also, male employees make up 57.7% of the workforce in the Sugar & confectionery goods Industry Group, making them the more prevalent sex in employment.

When talking about wages, employees in the sugar and confectionery products industry group make an average yearly salary of 55,190 dollars, which would be 51.061,788 euros annually and 4255 monthly. Out of a total of 269 Industry Groups in the United States, Sugar & confectionery goods have the 136th highest pay. The difference in the wages between male and female is less than 1000 euros of difference, being the male wage higher than the female one.

Overall, the USA has over 150 thousand retail food and beverage stores. With about 63 thousand establishments, supermarkets and other grocery stores were the most prevalent. There were roughly 21,000 of them with fewer than five employees, while slightly over 22,000 of them had more than 500 employees.

Technical and market knowledge

As mentioned previously, according to the World Bank Group (2023) Doing Business report, the USA is one of the countries with the greatest levels of business friendliness and ease of doing business. It ranks sixth overall among 190 countries.

Gobierno Exterior (2023) explains that Spain has a favorable position in the food trade between itself and USA. Positive balances are visible for Spain in the food and other sectors of the sectoral composition, among others. According to ICEX sectors, exports of four major groups increased in 2022 compared to 2021 data, one of them is the food exports growing by 8.8%.

Infrastructures

For the economy to run smoothly, to flourish, and to provide basic services effectively, the quality and expansion of the infrastructure are essential. Hence, World Economic Forum (2021) explains that making decisions on spending on both new infrastructure and ongoing maintenance of the old one, would boost the economy and would improve long-term U.S. competitiveness by boosting effectiveness and reducing transportation costs. It would also cushion the economy from shocks and generate jobs.

Since the 1960s, when most of rest of other nation were still developing, the U.S. had more than doubled. Because of that, according to specialists, many are dangerously overstretched and approaching the end of their lives. In fact, since the 1980s, the American Society of Civil Engineers (ASCE) has regularly compiled reports on the condition of American infrastructure. The average grade for the country's infrastructure in the ASCE's 2021 report decreased and reached the minimum grade in history. In their report, ASCE calculated that there is an infrastructure investment gap this decade of close to \$2.6 trillion that, if left unresolved, could cost the United States \$10 trillion in lost GDP. This investment gap, considers variations in country characteristics, and it is the difference between the expected investment and the investment necessary to match the best-performing peer countries. (CouncilonForeignRelations, 2023)

In those reports it is stated that America has the busiest airports in the world, but its aviation infrastructure is overworked, with about 20% of arrivals and departures being delayed. Moreover, over one-fourth of the nation's freight is transported through ports and waterways, but there are growing delays as well. The U.S. electrical grid's operators are finding it difficult to make the necessary expenditures, and the growing number of power

outages is costing the economy billions of dollars. Also, for most of Americans who reside in remote locations, access to broadband networks is unavailable. While paying more than Europeans, Americans also get poorer internet speeds.

On the other hand, the U.S. commercial rail system is one of the most advanced in the world, with a significant amount of its ownership held by the private freight sector.

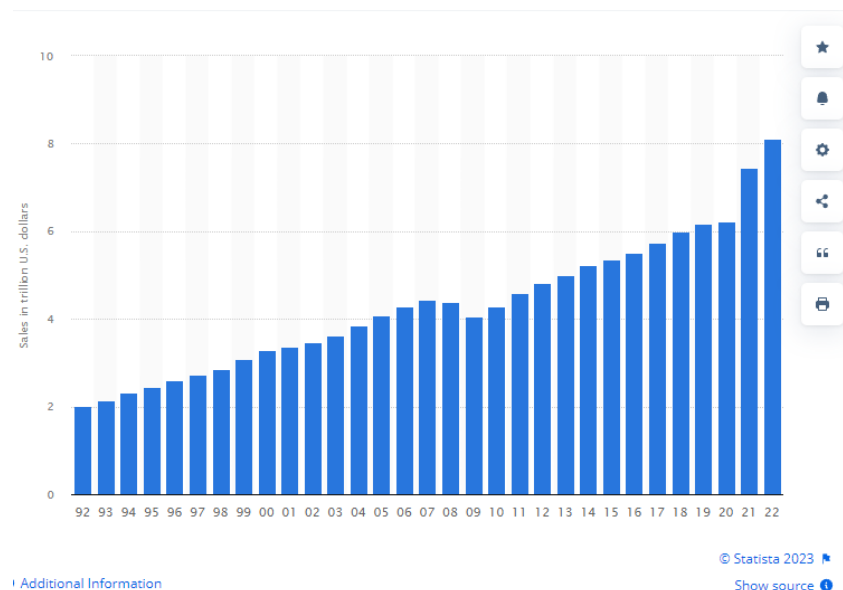
Overall, it can be stated that as a proportion of GDP, the United States invests less in transportation infrastructure than many other developed nations, such as France, Germany, Japan, and the United Kingdom or China, who spend a lot more.

2. Demand conditions

Size and growth

As it can be seen below in Figure 20, food retail sales in the USA have overall been increasing since 1992, specially since 2020 to the present up to the point that for the first time ever, the food retail sales in the United States exceeded 8.12 trillion dollars.

Figure 20. Food retail sales in the United States from 1992 to 2022 in trillions of dollars



Source: Statista (2023)

However, even if sales increase, the market structure does not remain the same. A considerable portion of the retail food business saw an improvement in sales because of the pandemic; as more individuals turned to eating at home, consumer food sales reached record levels. This change in the market's structure will be explained in depth in section 4. Strategy, structure, and competition.

If we now focus on the confectionery sector, the United States was the top importer of confectionery products worldwide, with a value of 5.6 billion American dollars. Also, confectionery retail sales on a global scale amounted to 189 billion dollars in 2021. From those sales 20.9% belonged to the United States, being the leader in the world's retail sales of confectionery goods, followed by China with 7.4% and Germany with 7.1% in 2021. (AAFC, 2021)

Additionally, according to Grand View Research (2021) between 2023 and 2030, the size of the U.S. confectionery market is anticipated to increase. Confectioneries, especially chocolate and sweets, have been very well-liked by customers all throughout the United States in recent years. Consumers are now looking for delicious and high-quality confections. In their study they also mention that in the US, sugar confectioneries are popular with individuals of various ages, genders, and socioeconomic backgrounds. This versatility provides sugar or candy producers with a variety of chances to reach more consumers.

As mentioned before, sugar confectioneries have been extremely popular during the past few years within individuals of different classes in the USA. The rise is partly attributable to American customers' renewed interest in the confectionary seasons following a difficult 2020 caused by lockdowns. Sales of chocolate and candies increased by 11% in 2021 over 2020. This increase was attributed to consumers' increased attention to holiday celebrations, sharing and gifting, and emotional well-being. Furthermore, confectionery products are increasingly popular in the United States because people view them as easy, inexpensive snacks with a remarkable capacity to lift moods. A study found that 4 out of 10 customers had a social media connection to a retailer or candy brand. 83% of these consumers always or occasionally carry candy and chocolate and approximately 75 percent of customers concur that it's critical for chocolate and candy businesses to provide a range of serving sizes. (GrandViewResearch, 2021)

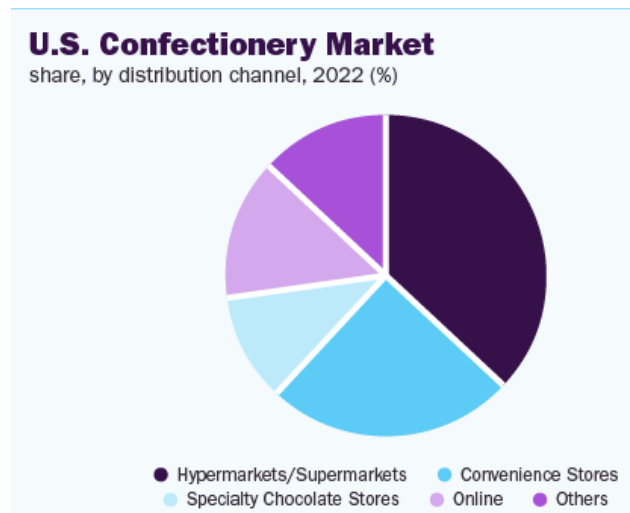
Overall, it can be said that USA is a country with high population that demands confectionery products constantly.

3. Related and supportive sectors

When it comes to providers, with 37.8% of the market share, Canada was the leading provider over the past year of all forms of chocolate and other cocoa confectionary to the USA, followed by Mexico with 24.6% and Germany with 16.7%. (AAFC, 2021).

When it comes to the distribution channels, as can be seen below in Figure 21, hypermarkets and supermarkets are the stores most used to selling confectionery goods, followed by convenience stores. Considering these channels would be a smart idea if a company wanted to launch a product in the USA because it can be expensive and risky to invest in building your own store.

Figure 21. US Confectionery Market distribution Channels in 2022



Source: Grand View Research (2021)

It is important to highlight that although online channels are the third most used channels, Grand View Research (2021) believes that the following years are expected to increase the use of the online channel. The market has experienced massive product acceptance in recent years because consumers enjoy trying out the various flavors of confectioneries from well-known worldwide brands that are sold online. The COVID-19 pandemic which induced the temporary closure of some offline businesses caused an increase in sales via internet channels. Such events are probably favorable for market expansion in the United States.

4. Strategy, structure, and competition

As mentioned before, the food retail sector is going through a change in its structure. Deloitte Insights (2021) conducted a study with The Food Industry Association (FMI) in 2021 where they surveyed more than 150 US food manufacturers as well as other food retailers to determine how the food retail sector structure would evolve. Their findings were that consumer tastes changed as a result of being isolated during the pandemic, driving up demand for online shopping. The change happened suddenly and abruptly. During the early phases of the pandemic, online grocery expenditure swiftly increased to

28% of consumers' overall food retail spending. To address and meet the consumer demands during lockdown, new and creative delivery systems were implemented by companies which were much more complicated and expensive solutions for them.

The existence of certain significant international corporations with widespread presence in the U.S. also characterizes the confectionery sector. Some of the key players are Mars, The Hershey Company, Ferrero, Lindt & Sprungli, Kellogg Co, Clif Bar & Co, and Nestlé. To obtain a competitive advantage, these companies have been putting numerous expansion tactics into practice, including mergers and acquisitions, capacity increases, online presence enhancement, and the introduction of new products (GrandViewResearch, 2021). Thus, competition is aggressive, and it can be hard to set foot inside.

There exists also The National Confectioners Association (NCA), which is the major trade association of confectionery sales in the United States. Even if this association might be seen as an ally because it promotes policies that support the growth of confectionery products and works to guarantee that chocolate and candy are recognized for their positive effects on culture and society, it only promotes national confectionery companies. Basically, this association's efforts contribute to the confectionery industry's positive image and identity on a national level. (NCA, 2023).

5. External factors

Causal events

The United States economy was severely harmed by COVID 19 along with the rest of the world, but since 2020, the economy has made an amazing recovery. According to World Economic Forum (2022) real GDP is expected to expand, indicating that the economy has resumed its pre-pandemic development trajectory. Although a slowdown or perhaps a recession is expected in the US in 2023, experts warn that the country may pay a price for a quick recovery.

Another causal event is obviously the current war between Russia and Ukraine. The war has had an immediately impact on the global economy and alerted the United States and its North Atlantic Treaty Organization allies. The US sent financial aid to Ukraine and sent thousands more troops to Europe. Plus, the US has placed a variety of restrictions on Russia, most recently forbidding the import of Russian gas and oil, which had an impact

on trade between Russia and the US. Additionally, due to the war, more than a million Ukrainians now reside in the US. (USAFacts, 2023)

Government Influence

FAS (2022) conducted a study about the different regulations involved in the trade of food between Spain and the USA. This paper explains how the EU follows all EU laws and regulations, which are distinct from those in the USA. The American standard label, for instance, does not adhere to EU labeling rules, such as those related to labeling or language or the nutrition declaration.

Furthermore, throughout the study it is mentioned that a local distributor should be pursued out by Spanish exporters who are interested in launching a product in the American market to gain market knowledge, guidance on current trade laws and business practices, as well as market development ability.

Aside from these variations in labeling laws, exporting goods to the American continent also needs to take into consideration export laws as well as shipment costs. The Food and Drug Administration of America oversees making sure the goods are secure, hygienic, and labeled in accordance with American standards. Food importers are permitted to bring items into the country without FDA approval if the production, storage, or other handling facilities are registered with the agency and FDA is notified in advance of incoming shipments. All the regulations that must be fulfilled to import a product into the country are listed on their website. Overall, importers must adhere to US import restrictions and the Prior Notice requirements in addition to complying with US food regulations, which include food facility registration. (FDA, 2022)

Taxes and fees should also be considered when entering the American market. Additional taxes and fees are charged by U.S. Customs and Border Protection (CBP) on imports into the country. Products imported into the States are subject to user fees in addition to the taxes. The kind of entry and method of transportation utilized to bring the products into the United States determine the user fee and amount that the CBP ends up collecting. (CBP, 2022)

It is well known that obesity is a significant problem in the US and that many associations support a healthy way of life. As a fact, in the US, the obesity rate was 41.9% in 2020. That is why, there are many organizations trying to create a shift in the mentality of Americans. A solution of these associations is the Dietary Guidelines for Americans. It

offers recommendations on what to eat and drink to satisfy nutrient requirements, advance health, and decrease diseases. It was created and written with a professional audience in mind, including federal nutrition program managers, healthcare professionals, policymakers, and educators. Every five years, the United States Departments of Health, and Human Services (HHS) collaborate to revise and publish the Dietary Guidelines. The Dietary Guidelines are updated to reflect the most recent findings in nutrition science (OASH, 2022). As a result, even though the government does not directly affect the market, there are organizations that can stop the growth in sales of the confectionery industry by offering healthy recommendations that frequently oppose confectionery items because of their high sugar content.

4.3 JAPAN

Japan is an archipelago situated at the meeting point of four tectonic plates (two oceanic, the Pacific and Philippine, and two continentals, the Eurasian and North American). Only roughly 400 of the 6,852 islands that make up the archipelago are inhabited. Japan has no geographical borders and is located at the east of China, Russia, and the Korean peninsula, between the Pacific Ocean and the Sea of Japan. The population of the nation is 125,194,000, and about 40 million people live in Tokyo, the nation's capital. In the ranking made by World Bank Group, Doing Business (2023), the country occupies the 29th position. Japan's Gini coefficient in 2022 was 32.9, which puts the country in the top 20 in the ranking. Nevertheless, its GDP does not have such good punctation. Due to an earthquake in 2011, the Japanese economy saw a significant drop in its GDP, which led to a recession from which it emerged in 2012. In 2020, the pandemic caused the GDP to decline by 4.5% and the national debt to rise to 262% of the GDP. The consumption tax progressively increased to raise tax collections. The government has turned to issuing a lot of government bonds because the additional revenues haven't been enough. Due to the high amount of debt and an aging population, the current economic scenario is characterized by slow growth and poor long-term prospects. (GobiernoExteriorb, 2022)

1. Factor conditions

Human and physical resources

Three guiding principles, lifelong employment, seniority pay, and single enterprise union, have historically been used as the cornerstones of the Japanese employment system. In 2021, the employment rate in Japan was 77.9%. Overall, the employment rate in Japan

increased by 10.8% between 2010 and 2021 (GlobalDatab, 2023). However, Japan is one of the economies in the world with one of the fastest aging populations. As a result, the nation's high rate of old-age dependency, which was 49.1% in 2021 and is projected to rise to 65.6% by 2040, puts pressure on the government's resources and the social security system. The Japanese government demands that businesses keep their employees on staff until they are 70 years old to address these challenges. However, Japan is well-positioned to become a global center for Age-Tech companies, which provide digital solutions to better the lives of elderly persons, due to the growing aging of society and strong technological infrastructure. (FEA, 2023).

With a bipolarization of working hours among female employees, the gender difference in Japan's workplace is still clearly visible. Women are increasingly making up the workforce in Japan, in 2020, 78% of women were employed or actively seeking employment compared to the 52% in 1990. But, since women are frequently hired irregularly, the ratio of male to female employees who worked eight hours or more each day was 70% for males and 40% for women. (NikkeiAsia, 2023)

Focusing on wages, Salary Explorer (2023) explains that the monthly salary ranges in Japan from 130,000 JPY (which is 867.13 euros) to 2,300,000 JPY (15,341.40 euros). The lowest reported amount is not the minimum wage as defined by law it is just the lowest ever salary identified in their study. They explain that salaries for various professions vary substantially based on the sector and the position a person holds within that sector. Finally, on average, male employees in Japan make 6% more than female employees in all industries.

Technical and market knowledge

As mentioned before in the ranking of Doing Business, the country occupies the 29th position. This ranking demonstrates the potential of the second-biggest economy in East Asia and the fourth largest economy in the world.

When it comes to technical information about how to enter the Japanese market, it must be highlighted that there exists The Economic Partnership Agreement between the EU and Japan which became effective on February 1st, 2019. By lowering the trade restrictions that European businesses must overcome when exporting to Japan, the EU-Japan Economic Partnership Agreement enables them to compete in this market more effectively (EuropeanCommission, 2023). This agreement helps bilateral trade between

Spain and Japan which could have positive effects in a company wants to compete in the Asian market.

Infrastructures

Japan has advanced to an elevated level of modernization in a remarkably brief amount of time. In fact, the urban infrastructure of Japan is among the best in the world.

The road and highway network covers 1.22 million kilometers, and it is the primary mode of transportation. Japan is now ranked 53rd in the world ranking based on the number of road kilometers. Transit in Japan is regarded as extremely safe. Also, Japan ranks 61st in the world when it comes to rail network length, at 0.22 meters per inhabitant. The rail network is 27,311 kilometers long in total. Rail freight traffic recently reached 18.34 billion tons and kilometers. In 2020, passenger traffic reached 263.21 billion passenger kilometers. There are over 250 high-speed trains that connect the major cities, and Japanese trains are well-known for their safety and regularity. (DatosMundial, 2022)

Japan has driven its economy and trade in maritime transport over the years due to its geographical location and territorial characteristics. It bases its economy and trade on sea transportation, which is why it has over 150 ports. Among the main characteristics of maritime transport in the country is the connectivity with different markets in the world, the transit times are short, and it is the most efficient and least expensive mode of transportation, making it an appealing country for doing business. (LegisComex, 2015)

Natural catastrophes have only served to emphasize the need for high-quality infrastructure in disaster risk reduction. These difficulties demonstrated that quality infrastructure investment, should promote economic growth, provide employment, draw capital, and, in the long term, result in cost savings (WorldBankGroupb, 2023). Additionally, Japan is recognized for its sustainable infrastructure, which refers to the fact that they consider the environment when determining where and how to build infrastructure. Additionally, the nation has well-functioning transportation systems of various kinds throughout the entire nation which allow the development of its economy.

2. Demand conditions

Size and growth

In 2021, the size of the Japanese confectionery market was estimated to be \$8.1 billion dollars and it is anticipated to expand more than 1% over the following five years. Sugar

candy, chocolate, and gum are the three main confectionery product categories in Japan. In terms of consumption throughout the major Japanese cities, chocolate was the second-largest category.

The country also produces confectionery goods. In fact, Japan reported total retail sales of food goods containing chocolate confectionery which represented the 74% of the market share in 2021. However, there were decreases in demand for chocolate confectionery. Following the pandemic, sales of chocolate confectionery in general decreased for single portions and smaller packs, which were primarily favored by office employees. Instead, larger, or multi-pack economy sizes have become more prevalent.

According to a survey done in March 2021, most consumers in Japan consume commercially available sweets on a weekly basis. Nearly 24 percent of those surveyed admitted to enjoying sweets and snacks on two to three days each week, with many people citing supermarkets and convenience stores. In fact, in 2023, it is anticipated that the average volume sold per person in the confectionery market will be 71.25kg. (StatistaK, 2023)

However, since there aren't many sweets in the Japanese culinary tradition, more natural fruits and savory flavors were introduced in confectionery products, generating distinctively Japanese flavors. The sweet potato, green tea, and sake flavors of Kit Kats are some examples. There are other reasons why the Japanese confectionery and chocolate sectors are so renowned in the world. It's the readiness Japanese people must experiment with new methods. They enjoy introducing new products to their lineup, particularly if they can get them first. The Japanese chocolate industry has evolved into a complex fusion of traditional Japanese, classic European, and contemporary American styles (DameCacao, 2023). From this, it can be understood that if a company launches a product in the country, even if there is an initial boom in sales, it cannot guarantee that the sales will remain consistently high because Japanese consumers have a tendency to experiment and are willing to try new things and new flavors of existing products, which also demonstrates that it is a culture that gets tired of things easily.

Also, sustainable confectionery is currently only being widely adopted in Japan, but there is a lot of room for growth. 57% of Japanese people said they would buy ethical chocolate.

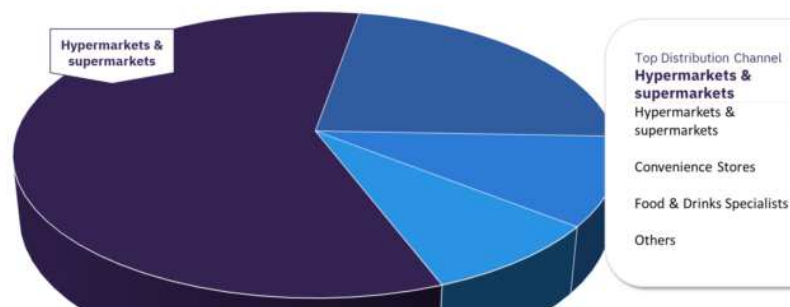
Overall, the demand of confectionery products in Japan is unstable due to the constant changes in the preferences of the population.

3. Related and supportive sectors

AAFCb (2022) carried out a study on Japan's confectionery sector. In it, it is explained that Japan brought products made with cocoa from throughout the world in 2021 for a total value of US\$1.0 billion. Top import markets or suppliers included Ghana with 10.3% market share, Singapore with 15.6%, and Malaysia with 15.9%. Chocolate and other cocoa preparations in blocks, slabs, or bars were the most popular Japanese import, followed by cocoa beans.

When it comes to organization that can support the distribution of the sector, as it can be seen from Figure 22, Hypermarkets and supermarkets, convenience stores, department stores, food and beverage specialists, and dollar stores are a few of the main distribution channels in the Japanese confectionery business. Out of them, the primary distribution channel for candy in Japan is hypermarkets and supermarkets.

Figure 22. Japan Confectionery Market Analysis, by Distribution Channel



Source: Global Data (2022)

There are mainly 2 associations or organizations that can support the entrance of a confectionery shop in Japan like Sabor a España.

One of them is The All-Nippon Kashi Association (ANKA), founded to organize the industry's collective force against its major challenges. ANKA targets a variety of global issues, including reducing food loss, improving food labeling, and enhancing food cleanliness. (ANKA, 2023)

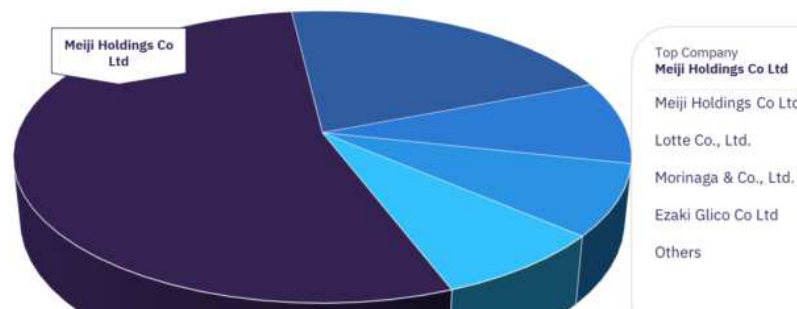
The other one is The All-Japan Confectionery Association, which was established in 1961. Its members are businesses that produce confectionery and baked goods. The Association's objectives are to carry out activities crucial for its members in an environment of mutual assistance, to support members' autonomous economic activity and improve their economic standing. The International Union of Bakers and

Confectioners (U.I.B.C.), an association made up of bakery and confectionery unions from all over the world, is represented by the Association in Japan (AJCA, 2023). Hence, AJCA tries to help any confectionery company from inside or outside the borders of Japan to start a business in the country.

4. Strategy, structure, and competition

Meiji Holdings Co Ltd, Lotte Co., Ltd, Morinaga & Co., Ltd., Ezaki Glico Co Ltd, Mondelez International, Inc, and Private Label are just a few of the top confectionery manufacturers in Japan. This is shown in the following figure, Figure 23. In 2021, Meiji Holdings Co Ltd held the greatest market share for Japanese confections. Competition is fierce, and Japanese are loyal local customers.

Figure 23. Japan Confectionery Market Analysis, by Leading Companies



Source: Global Data (2022)

Regarding the sector's structure, no one expected any significant changes to the sector's structure, such as a rise in internet commerce as we have seen has happened in USA. As a result, we can state that the market will remain unchanged for the time being.

External factors

Causal events

The pandemic's effects on global trade and consumption have left the Japanese economy, like those of the rest of the globe, still in need of recovery. The recovery is moving in a healthy direction, as evidenced by the fact that private consumption, capital spending, and GDP have all increased annually since 2020.

Also, Japan is one of the nation's most susceptible to natural disasters. It experiences a variety of natural catastrophes, like typhoons, earthquakes, tsunamis, volcanic eruptions, and floods. The impact of these catastrophic catastrophes on Japanese people is tremendous. Natural disasters frequently occur in Japan because of four main elements.

The location of the nation is the first factor. Four tectonic plates, which are continually shifting and interacting, encircle Japan. Second, Japan is in the Asian monsoon climate zone, where it frequently sees torrential rains, flooding, typhoons, and snowfall. The landscape is the third element. Japan is home to 111 active volcanoes, or 7% of all volcanoes in the globe. Finally, because of urbanization and population increase, more Japanese people are living close to volcanoes and the shore, raising their chance of being affected by natural catastrophes. (Supavarasuwat, 2021)

Lastly, the current war has also affected the Japanese economy. Japan and other countries that depend largely on imports are challenged by inflationary pressure. Rising energy prices have once again highlighted Japan's vulnerability as a country with few natural resources.

Government Influence

A list of with prohibitions, controls, and restrictions is provided by Japan customs. There are neither export taxes nor limitations on confectionery products. Additionally, there is no consumption tax on exports. However, when exporting to Japan, certain paperwork must be supplied, and the Japanese Society for Quality Control Bureau Veritas Japan can examine the products' quality. (Banco Santander, 2022)

5. SELECTION OF A NEW MARKET

After the three target markets have been presented and examined, it can be said with certainty that they are all sizable and good potential markets, and because of their traits, Sabor a España could prosper in all of them. However, based on the data outlined in Section 4 of this paper, I believe Germany to be the best market out of the three.

Germany is a more advantageous market than the US and Japan for a variety of factors. I will now provide both general and specific explanations for selecting Germany as the target market.

To begin with, because both Germany and Spain are members of the European Union, there are no trade restrictions or barriers between the two countries. When a company decides to sell worldwide, there are various advantages to being a part of the same economic and political alliance. The customs and lifestyles of the countries are comparable, there are fewer limits on starting a business, there are no specific taxes, there is social and economic stability, and geographical distance is the most crucial factor. The

country's great infrastructure, combined with its short geographical distance, makes logistics easier and less expensive.

If we focus on the precise reasons why I chose Germany as the greatest possible market, there are numerous advantages to the country. To begin with, as previously stated in this research, food retail sales have been expanding year after year since the year 2000, making it a steady industry. Secondly, Germany has the largest per capita chocolate consumption in the EU, ensuring that the product will be in high demand once it is internationalized.

Third, while Sabor a España's goods are of excellent quality and considered gourmet, it should be noted that Germans regard chocolate as an accessible luxury and that the country's cocoa luxury market has room for expansion. This increase in the luxury cocoa German market is being led by organic chocolates, which Sabor a España can ensure because the company's production process is entirely elaborated with their own organic ingredients.

Furthermore, as previously said, Japan is a market where buyers quickly tire of a product and where innovation and ingenuity are valued over quality. To meet demand, Japanese confectionery firms produce massive amounts of flavors of the same product. Sabor a España, on the other hand, has a competitive advantage in the quality and elegance of its products. Quality indicates that there is no opportunity for inventiveness in the manufacturing process.

6. ENTRY MODE

A good internationalization strategy explains the company's starting point, where it intends to go, and how it plans to get there. Until now, the first two steps have been determined; we began in Spain, completed an analysis of the sector in Spain, and then explained where the company will go. Thus, the how will be detailed in this section.

The mode of entry is a critical decision for success in internationalization. Each firm should select the alternative that best meets its objectives in relation to the market in which it wishes to operate, its resources, and its risk and control preferences.

Sabor a España has a limited number of alternatives. As stated at the beginning of the paper, the company's internal financial status is not in danger, but it lacks stability. The working capital ratio, for example, measures the portion of current assets financed by

funds that are not included in current liabilities, implying that those assets do not have to be used to pay debts but can be used to enable the business to make investments. This ratio, while favorable for the company, is not extremely high, meaning that the corporation can make little investments but not large ones.

We also have the debt ratio, which analyzes whether the quantity of debt is reasonable for the entity's resources. Sabor a España has the debt ratio slightly high, so the company should avoid large investments that will just enhance this ratio's outcome.

As a result, direct investment should be avoided because of the elevated risk and initial investment it requires.

Given that it is a small and medium-sized business and given that the company's history is limited to Spain, and that this would be its first time selling its products beyond Spanish boundaries, it may be better to enter the German market through exporting.

Exporting would imply that the corporation keeps the production process in its home market, Spain, while selling them in the new market, Germany.

Using exports as a means of entry is a secure decision because it is a method of entering the market, particularly for SMEs. It will also necessitate less resources, lower repair costs, and lower risk, which, as previously said, the corporation cannot afford at the present. It is also a suitable entrance point because the cashews that the company utilizes have a large production and demand in Spain, making it cheaper to acquire and make them in Spain rather than buying and producing them in Germany.

We should also keep in mind that the confectionery products sold by Sabor a España do not require the company to be physically close to the customers. Another reason exports are the greatest option is that, as previously indicated, the geographical distance between the countries is short, and because they are both members of the European Union, there are no commercial restrictions. Because of this, as well as the solid infrastructure in both countries, transportation costs will be low.

We have the option of exporting directly or indirectly. There may be some choices in this company's scenario. Either directly through its own website or through a hired salesperson. Using a representative is not a bad idea, but for a firm like this one, who is just getting started and comes from a different country, it is not. I do not feel that this method of exporting can accomplish a large market share or even get a lot of people to

know about the company, especially since, as said when the German market was studied, there are a lot of big competitors in the industry with a large market share.

However, it was determined throughout the investigation that the online food sector in Germany has been growing and that sales of confectionery goods are developing as quickly as they can in Germany via platforms such as Amazon or eBay. In fact, the German confectionery eCommerce market is expected to grow to US\$653.5 million by 2023, accounting for 82.4% of the German confectionery and snacks eCommerce market is likely to rise in the coming years. (eCommerceDB, 2022).

For all of this, the corporation should choose indirect export via online intermediaries such as Alibaba, eBay, and Amazon.

Even if the firm's market share is not particularly large because competition is fierce, the company can tell people about itself more effectively than if it exported through its own website, which most Germans are unaware of, or through a representative. As a company that produces a high quality and organic product, which is in high demand in the German confectionery market, the product can stand out from the competitors on these platforms like these because the company will also be able to explain why its products are gourmet items.

7. CONCLUSIONS

Internationalization is a clear need for many enterprises, particularly SMEs, due to the pressure of large international corporations due to their size and resources.

In this study we have analyzed some key elements of an internationalization plan for the company Sabor a España.

To summarize, as we have seen throughout the study, the company Sabor a España, also known as Pals e Hijos Import S.L. according to the mercantile registration, is ranked 68.446 in the national rating and 171 in the CNAE ranking. Concerning the food retail sector, it has been stated that there is a predicted expansion both in the European and worldwide scope.

Following a review of the food retail industry and more specifically the confectionery sector in Europe and around the world, three nations, Germany, USA, and Japan, were identified as the best feasible candidates to analyze which would be the most ideal for expansion. Finally, Germany was decided to be the most appealing alternative for

introducing these Spanish goods. This is not to suggest that Japan and the United States do not offer favorable circumstances; on the contrary, they may be the next possibilities to be considered as the following countries in the internationalization process of Sabor a España.

As for the mode of entry, given that this is a geographical area where there are numerous companies and rivalry abounds, and due to the company's financial state, the smartest option to penetrate the market would be through indirect exporting using internet operators. It has also been proved that this sales channel is thriving in the German market when it comes to distribution.

Overall, we have identified that the demand in the confectionery sector is going to increase worldwide and particularly in Germany with online sales. Given the company's financial status, the hard decision comes now, deciding whether to enter the market or not. In my opinion the company should take the risk. The transition chosen to go from an exclusively national level to an international level to an international scope is usually through a gradual process, with the degree of the company's commitment to new markets increasing as their knowledge of their particularities grows. In the case of Sabor a España, it is not a high risk promoting their products online through operators in Germany, so if the project ends up generating no profit at all, the losses are not that high, however, if on the contrary, the internationalization plan works the positive outcome can improve the company's financial situation. However, based on what has been outlined throughout the paper, Germany appears to be a stable and thriving market for which the Sabor a España possesses all the traits required in the industry that can allow the company to acquire market share.

The company has the high-quality product with organic ingredients that Germany demands. If Sabor a España takes the risk and starts to operate in Germany, the company might experience that the commercialization of its products increases, so a boost in production will be observed, which will imply a boost in its profits. This plan could be the answer for the company to overcome the financial situation it is in.

Lastly, this paper has had some limitations. It should be emphasized that this study only looked at a few of the main aspects of the chosen markets. A meticulously planned internationalization plan should consider additional data and crucial elements from each area.

Furthermore, while this study only addressed the concerns of where and how, further considerations should be examined when entering new markets, such as choosing goods from the company's portfolio to internationalize.

The final limitation of this article is that the results do not imply success. Unfortunately, we are unable to determine whether Sabor a España will be successful in the German market based on the data collected throughout the paper because the analysis of this paper is only a prediction that demonstrates some data that can help the company know where it could have a higher success rate, but success is not guaranteed to be achieved if the firm follows this plan.

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ANNEX

ANNEX I



Types of individual nougats. (Sabor a España, 2023)

ANNEX II



Assortment of nougat. (Sabor a España, 2023)

ANNEX 3



Types of dried fruit. (Sabor a España, 2023)

ANNEX IV



Types of candied died fruit. (Sabor a España, 2023)

ANNEX V



Other products offered. (Sabor a España, 2023)

ANNEX VI

Unconsolidated Accounts	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011	31/12/2010
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007	Abbreviated PSC 2007
Balance sheet												
11												
12	Fixed Assets	2,487,598	2,352,423	2,411,352	1,484,404	200,357	62,875	26,229	8,978	4,735	2,479	3,355
13	Intangible fixed assets	46,884	87,050	72,254	3,304	6,061	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
14	Tangible fixed assets	1,711,409	1,723,254	1,350,155	1,337,416	115,002	26,351	5,272	329	1,404	2,479	3,355
15	Other fixed assets	649,353	455,120	385,323	77,083	25,294	26,524	20,357	6,650	3,330	n.s.	n.s.
16												
17	Current assets	1,867,915	1,545,930	1,185,711	665,013	397,626	169,821	122,703	120,418	119,037	155,263	221,566
18	Stocks	436,251	571,309	301,464	432,035	321,151	147,129	111,760	115,711	112,588	121,173	116,546
19	Debtors	841,353	201,766	41,617	39,051	10,207	372	653	32	5,449	14,500	24,820
20	Other current assets	528,304	372,855	842,270	74,067	52,268	21,339	10,282	4,616	n.s.	13,550	20,390
21	Cash & cash equivalent	504,984	346,721	841,617	73,374	57,301	21,054	10,282	4,676	n.s.	13,550	n.s.
22												
23	Total assets	4,355,201	3,411,353	3,597,063	2,149,417	605,983	231,695	148,932	129,397	122,771	161,742	224,921
24												
25	Shareholders' funds	1,013,115	518,708	1,450,043	765,144	43,333	7,411	2,308	2,219	6,273	16,264	15,818
26	Capital	322,856	195,652	195,652	180,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
27	Other shareholders' funds	690,259	323,056	1,254,391	585,144	28,333	7,589	12,092	12,781	8,727	1,264	818
28												
29	Non current liabilities	1,350,043	2,419,123	1,393,301	843,664	64,092	15,015	66,107	14,300	103,751	75,755	33,523
30	Long-term debt	1,195,346	2,419,123	1,064,762	670,813	53,506	15,015	66,107	14,300	103,751	75,755	33,523
31	Other non-current liabilities	154,697	0	328,539	172,851	10,586	0	0	0	0	0	0
32	Provisions	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
33												
34	Current liabilities	1,391,362	473,522	707,059	540,609	436,468	143,210	59,317	52,078	6,748	69,719	115,500
35	Loans	393,018	331,595	6,195	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	27,644
36	Creditors	363,131	22,825	385,121	322,327	93,959	53,735	14,832	n.s.	n.s.	n.s.	307
37	Other current liabilities	157,234	59,192	915,220	218,282	345,309	95,474	45,085	52,878	6,748	69,719	115,473
38												
39	Total shares, funds & liab.	4,355,201	3,411,353	3,597,063	2,149,417	605,983	231,695	148,932	129,397	122,771	161,742	224,921
40												

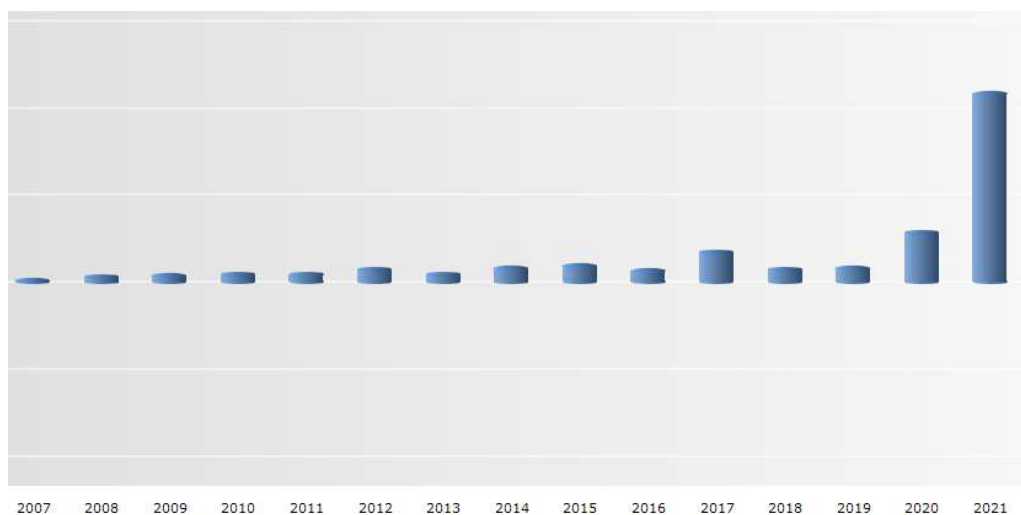
Balance Sheet Sabor a España. Source: https://sabi-r1.bvdinfo.com/version-20230105-3378-0/Report.serv?_CID=32&product=sabineo

ANNEX VII

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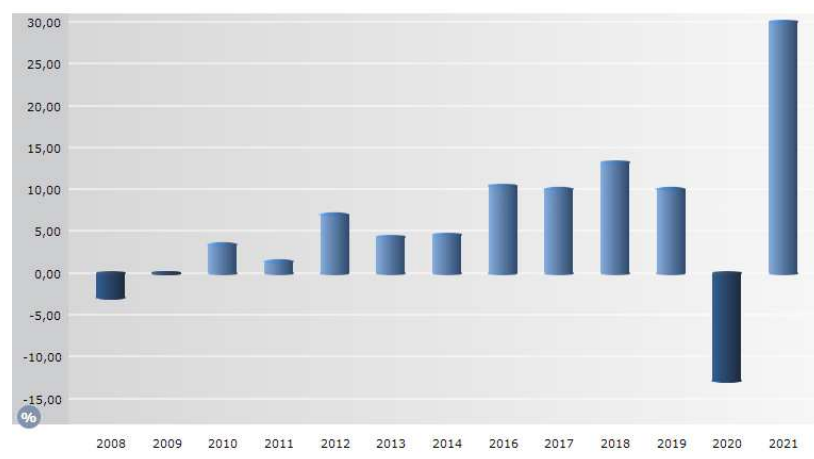
Income Statement Sabor a España. Source: <https://sabi-r1.bvdinfo.com/version-20230105-3378-0/Report.serv? CID=32&product=sabineo>

ANNEX VIII



Source: <https://sabi-r1.bvdinfo.com/version-20230105-3378/Report.serv? CID=994&product=sabineo>

ANNEX IX



Source: <https://sabi-r1.bvdinfo.com/version-20230105-3378-0/Report.serv? CID=793&product=sabineo>

ANNEX X

Posición Sector	Evolución Posiciones	Nombre de la empresa	Facturación (€)	Provincia	
166	34	AGRICULTORES DEL ARLANZA SL	mediana	Burgos	Ver más
167	103	BODEGA CASTELL DE SANT FERRAN SL	mediana	Gerona	Ver más
168	15	MADOVE MARKET SL	mediana	Cádiz	Ver más
169	49	LARA LUCIA JORGE SOCIEDAD LIMITADA	mediana	Huesca	Ver más
170	27	ENTREPITAS SOCIEDAD LIMITADA	mediana	Almería	Ver más
171	119	PALS E HIJOS IMPORT SL	mediana	Córdoba	
172	60	CAFES EL MAGNIFICO SL	mediana	Barcelona	Ver más

Source: https://ranking-empresas.eleconomista.es/busqueda_rankings_PALS-E-HIJOS.html

ANNEX XI

Posición Provincia	Evolución Posiciones	Nombre de la empresa	Facturación (€)	Sector Actividad	
776	793	XPLORA DENTAL SL	mediana	4646	Ver más
777	74	EP RIEGOS PALMA SL	mediana	3320	Ver más
778	156	TUBERIAS Y VALVULAS DEL SUR SL	mediana	4752	Ver más
779	136	MANTENIMIENTOS LOPEZ SL	mediana	3312	Ver más
780	40	CICLOS CABELLO SL	mediana	4764	Ver más
781	137	PALS E HIJOS IMPORT SL	mediana	4729	
782	134	AGROIBERICOS QUEJIGARES SL	mediana	4722	Ver más

Source: https://ranking-empresas.eleconomista.es/busqueda_rankings_PALS-E-HIJOS.html

ANNEX XII

Ranking Nacional de Empresas (31 Resultados)						
Posición Nacional	Evolución Posiciones	Nombre de la empresa > <input type="text" value="Buscar por nombre"/>	Facturación (€) <input type="text" value="Seleccionar..."/>	Sector Actividad <input type="text" value="Seleccionar..."/>	Provincia <input type="text" value="Seleccionar..."/>	
68.441	26.625 ↓	ONSALES PARTNERS SL.	mediana	8299	Sevilla	Ver más
68.442	2.131 ↑	TECNICA DE ALUMINIOS RIOJA SL.	mediana	4672	La Rioja	Ver más
68.443	(ND)	GLOBAL THESSALIA SL.	mediana	6420	Arava,Álava	Ver más
68.444	8.149 ↓	REFORMAS Y CONSTRUCCIONES PERGOLA SL	mediana	4121	Madrid	Ver más
68.445	91.694 ↑	CAN MONER DE S'ARENAL SA	mediana	5520	Baleares	Ver más
68.446	11.530 ↑	PALS E HIJOS IMPORT SL	mediana	4729	Córdoba	Ver más
68.447	12.741 ↓	GESUCAS S.A.	mediana	3811	Palencia	Ver más

Source: https://ranking-empresas.eleconomista.es/busqueda_rankings_PALS-E-HIJOS.html