



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTERS IN MANAGEMENT (MIM)

MASTERS FINAL WORK

DISSERTATION

PICNIC: EXPANDING THE BOUNDARIES OF ONLINE FOOD RETAIL

MARIANA ESTANQUE TORRÃO

MARCH - 2022



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ABSTRACT

This case-study presents the challenges faced by Picnic intern, Mariana Torrão, in assessing which European country Picnic should expand to.

Since its foundation, Picnic has been growing, year after year, becoming one of the most important food online retailers in the Netherlands. Picnic is the number one Dutch start-up and its business model relies on selling groceries with an app-only approach. The customer places the order, and an electric van deliver it at his door, with no extra fees.

This case analyses the viability of Picnic's European expansion, reviews the trends that are shaping the online food retail industry, especially in the post COVID-19 period, defines the criteria for expansion and briefly characterizes the potential markets for its expansion. Lastly, the case also identifies which strategies should be implemented by Picnic, in order to be successful in a new market and achieve customer engagement and loyalty.

KEYWORDS: Ecommerce; Expansion; Online Retail Industry; International Strategies; European Countries.

JEL CODES: M13; M16; M31; F21; F23.

RESUMO

Este caso apresenta os desafios enfrentados pela estagiária do Picnic, Mariana Torrão, ao avaliar para qual país europeu o Picnic se deve expandir.

Desde o seu lançamento que o Picnic tem vindo a crescer, ano após ano, tornando-se um dos mais importantes retalhistas nos Países Baixos. O Picnic é a start-up holandesa número um e o seu modelo de negócio tem por base a venda de bens alimentares e não alimentares, única e exclusivamente a partir de uma *app*. O cliente efetua a encomenda, e uma carrinha elétrica faz a distribuição da mesma até à sua porta, sem qualquer taxa.

Este caso analisa a viabilidade da expansão Europeia do Picnic, revendo as tendências que têm vindo a moldar a indústria do retalho alimentar, em especial no período pós a pandemia de COVID-19, definindo os critérios para a expansão, e resumidamente caracteriza os potenciais mercados para a sua expansão. Por fim, o caso também identifica que estratégias devem ser implementadas pelo Picnic, com o intuito de atingir o sucesso num novo mercado e atingir *engagement* e lealdade por parte dos seus clientes.

PALAVRAS-CHAVE: Ecommerce; Expansão; Indústria de Retalho Online; Estratégias Internacionais; Países Europeus.

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ACKNOWLEDGMENTS

First, I would like to thank the person who gave me all the guidance, help and support needed to pursue this step of my academic life, the Professor Ana Venâncio. I am grateful to you, and to all Professors who made this Master even more special.

I do not even have words to describe the gratitude I have to all my family. During these intense months, without your words, kindness and support, nothing of this would be possible. To my mother, Carla, a special thank you, you were the rock who never let me go down.

I am also thankful to my colleagues and friends for their patience all over this process, in special to my best friend, António Pereira, who is and will always be a part of my life and all of my achievements.

Finally, I want to highlight my determination and hard work. Being abroad, alone, and a full-time worker, was not always easy but I made it. That's why I also thank to myself.

LIST OF ABBREVIATIONS

4P's – Product, Price, Place, Promotion

CAGE – Cultural, Administrative, Geographical, Economic dimensions

CEO – Chief Executive Officer

CTO – Chief Technical Officer

E-GDP – Ecommerce contribution to the Gross Domestic Product

EU-27 – The 27 European Union countries

EUR – Euro

GCR – Global Competitiveness Report

GDP – Gross Domestic Product

GR – Growth Rate

PR – Public Relations

SPI – Social Progress Index

STP – Segmentation, Targeting, Positioning

USD – US Dollar

INTRODUCTION

Living in the technological era means “constant change”. Change in products, services, but also in habits, behaviours or trends. The food retail industry is not an exception, and it has been facing several changes in the past years, through the digital revolution.

The following case study presents a Dutch start-up which is radically changing consumers’ habits in what concerns to groceries shopping. Besides being a new concept in our society, this company already expanded internationally its business and it intends to be present in more countries in the upcoming years. To do so, this document was built in order to achieve one specific goal: help this international expansion, covering the challenges and risks, while suggesting the strategy to be followed to achieve success in the new destination.

The methodology followed while performing this dissertation started with theoretical research, in which relevant information was gathered, to firstly understand the company studied, its business model and consumers’ targets, but also to understand the different economic frameworks within the EU-27 countries, as well as its advantages and disadvantages. At the same time, theoretical support was also used regarding macro-economic analysis, countries’ cultural closeness and marketing and promotion strategies. Once gathered the needed information, mathematical analysis were performed, making use of an auxiliary Excel spreadsheet, namely ranking methods in order to establish the priority among the set of countries, for different types of interests.

This dissertation follows the structure of a case study, starting with the presentation of the company, its business model, competitors and the industry in which it belongs, as well as some trends that have been shaping it. After the case study itself, a teaching note is presented. In this teaching note, four questions and answers are presented, being the ones conducted to achieve the ultimate goal of the dissertation: choose the country for the expansion and defining its strategy and actions to be successful.

1. CASE-STUDY

1.1. LEARNING OUTCOMES

After reading and analyzing this case, students should be able to:

- Analyze European countries' attractiveness for the international expansion of an online grocery company.
- Understand which kind of risks and challenges a company face when expanding internationally.
- Apply studied frameworks, such as the Cultural, Administrative, Geographical and Economic (CAGE) Distance Analysis, to identify a possible solution for a real-world business problem.
- Explore the different international strategies (Waterfall, Sprinkler, and Wave) and the market entry strategies (Exporting, Licensing, Joint Ventures and Direct Investment).
- Discuss communication strategies, as well as specific actions and methods to achieve customer engagement and retain customers.

1.2. INTRODUCTION

“GATES FOUNDATION LEADS \$707M INVESTMENT IN DUTCH E-GROCER PICNIC”. This was the headline of a news story that Mariana Torrão read on September 17, 2021, on the bus on her way to her first day of work.

Mariana, a graduate student of the master’s in management, recently moved to the Netherlands to start her internship in Picnic. She continued to read “Picnic will use the funds to hire tech talent, build automated fulfilment centres, grow its electric vehicle fleet, and expand its operations across Europe”. She was really interested in this article because she was about to start her internship in Picnic’s Strategy department.

“Picnic had already operations in Germany. Which country will Picnic select? How will the decision be made?”. She was about to find out.

After visiting the main office and meeting her team members, Mariana was allocated to her own project: assess the viability of Picnic’s European expansion. In the first days, she read all information available about the company to understand its business model, vision, and strategy and then, collected several information about the European countries. She did not forget to collect information about the online retail industry and main competitors. She also regularly met with her supervisor to discuss the progress and get feedback on her project. After a few weeks, Mariana already knew which expansion strategy Picnic should follow.

It is March 15, 2022. Mariana opens the door and finds Picnic co-founder and CEO, Michiel Muller, already sited in the meeting room waiting for her presentation. A mixture of feelings invaded her, she felt at same time nervous and excited. There was no turning back. She looks at her supervisor and takes a step forward. She was confident on her work and about the direction that Picnic should follow.

1.3. PICNIC

Picnic is a completely online supermarket, that makes use of an app-only approach to make grocery shopping quick, simple, and fun. This company was launched in 2015, by four entrepreneurs, Joris Beckers, Frederik Nieuwenhuys, Michiel Muller, and Bas Verheijen, starting its activity in a small city in the Netherlands, Amersfoort.

Michiel Muller, the current CEO, is a serial entrepreneur and an angel investor. During his career, he has co-founded several new ventures. He started to work for a Dutch oil company, ExxonMobil, in which he met who was going to be his future long-term partner, Marc Schroder. Both created a new brand concept of unmanned petrol stations with no staff and payment only by card, called “Tango”, back in 2000. By 2017, this network grew to 190 stations in the Netherlands. He also co-founded Route Mobiel. Nevertheless, Muller did not stop there and continuously looked for new opportunities to achieve success, allowing him to gain more and more knowledge. So, in 2015, together with the 3 co-founders, the online supermarket was launched. Picnic’s founders had all the necessary knowledge and experience about brick-and-mortars supermarkets’ marketing, deep experience in software and technology, as well as extensive experience in disrupting new markets.

Accordingly with Picnic’s current Chief Technical Officer (CTO), Daniel Gebler, back in 2015, only 1.5% of the Dutch market was buying food online and people kept saying that food does not and will not work online. However, Daniel and his team saw 98.5% worth of opportunity. The hardest part would be to switch the public’s mindset, in order to build a new category and market in the Netherlands. Picnic’s success is mostly driven by its innovative technology, which is mainly developed in-house. Picnic uses technology to create a more personalized and efficient service for its customers and therefore the company invests its effort in finding and hiring the top tech talent from across the world.

Right in the year of its launch, Picnic started its national and international expansion to Germany, counting nowadays with approximately 1000 electric delivery vehicles that are responsible for the groceries' delivery in around 200 Dutch and German cities. According to Retail Detail (2022), Picnic increased its turnover for almost the double in 2020, once revenues rose from 232 million euros to 455 million euros. This increase in sales represented a growth in the Netherlands of 80% and 252% in Germany, while took its first steps in a new market, France, in 2021.

1.3.1. BUSINESS MODEL

Picnic’s mission states that “We change the way people do groceries. With a delivery service that saves time, and a supply chain that fights food waste”. This mission reflects

Picnic desire to satisfy customers' needs and save them time, emphasizing on the importance of sustainability.

The main differences between Picnic and other online supermarkets are that Picnic delivers groceries at the lowest price and it provides free home delivery. Thanks to continuous improvement on processes' efficiency, in forecasting, warehouse fulfilment, distribution, and delivery cost, Picnic's electric vans are able to be in a specific street every day at fixed times just like the "milkman" used to be in the past. Through the app, the customer will be able to order its groceries since toilet paper, ice cream, or fresh vegetables, and have it delivered for free within a few minutes. In terms of assortment, Picnic sells most of the A-brands sold in a regular supermarket in the Netherlands, as Albert Heijn¹. However, as seen in these brick-and-mortars supermarkets, the presence of private labels is quite important, once it offers customers best and more competitive options, in terms of price. Because of this, last year Picnic started developing its own private label, selling parts of its assortment under the Picnic brand. Picnic wants its private label to be suitable for customers, having both topline and discount products, but it also must be sustainable in the packaging, recipe and in the supply chain. Besides including fresh products, Picnic's private label also includes products that are sold frequently, or products that represents high levels of waste, such as chips bags covered with air.

In an interview to the "I Amsterdam" blog, I Amsterdam (2022), the co-founder Joris Beckers stated that the brick-and-mortar supermarkets are essential for customers because of its convenience and location. Individuals can go to stores whenever around or in case of an emergency. Picnic, on the other hand, intends to capture the scheduled regular purchases and deliveries of groceries, and in this way facilitate the weekly groceries purchases. Picnic complements the traditional supermarkets.

1.3.2. SUSTAINABILITY FOCUS

Picnic is extremely committed to sustainability. All its vehicles are 100% electric, environmentally friendly, do not make noise and do not emit polluting gases. Besides, its processes are designed to combat the food waste, the carbon emitted by consumers' cars

¹ Albert Heijn is the largest brick-and-mortars supermarket chain in the Netherlands with a market share of 34.8% in 2020.

when driving to a supermarket, or to reduce all the costs and energy used with lighting or heating and cooling systems inside stores.

According to Wageningen University & Research (2020), on average 1.7% of the food offered in the biggest brick-and-mortar supermarket chains (e.g. Albert Heijn, Jumbo, Lidl and Plus) is wasted. Of the food waste: potatoes, vegetables and fruits represent 35.5%; bread, part-baked bread and pastry represent 31.5%; dairy, eggs and chilled convenience products represent 13.3%; other fresh products, 13.2%; and, fresh meat and fish, the remaining 7.5%. Picnic's strategy regarding fresh products delivery aims to combat this waste by producing and delivering only the exact needed quantities, through its efficient and sustainable supply chain. Picnic only buys what is ordered and basically does not have to throw away anything. Picnic acquires its goods from Superunie, a Dutch wholesale purchasing cooperating among 14 supermarket companies.

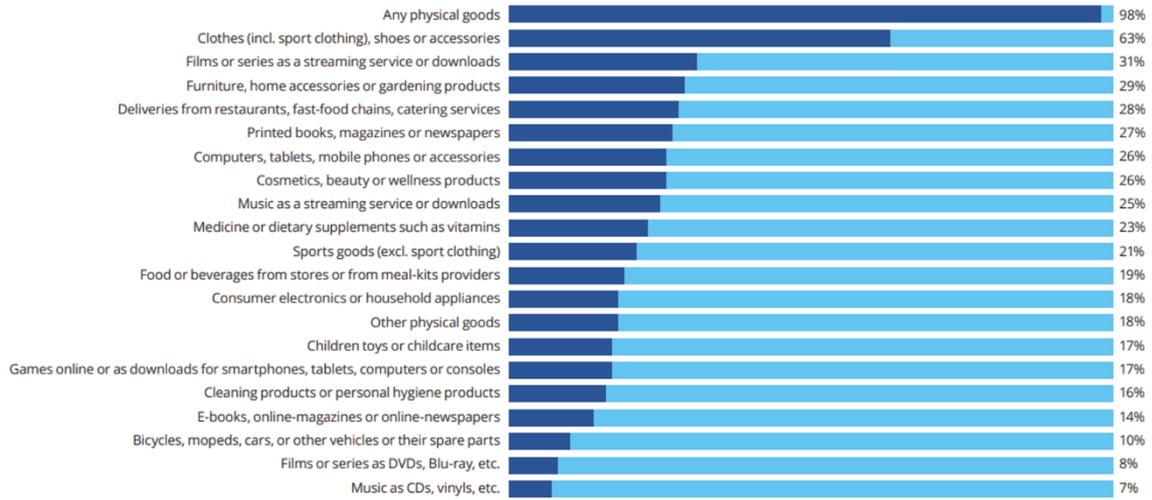
Lastly, the switch to organic farming and the focus on sustainable production and packaging, have allowed Picnic to become one of the most sustainable supermarkets in the Netherlands.

1.4. EUROPEAN ONLINE FOOD RETAIL INDUSTRY

Before the COVID-19 pandemic, winning the online channel was already one priority for some retailers. Nevertheless, the pandemic accelerated this trend. Currently, with the ecommerce boom, one of the top priorities of many European grocers is to improve and accelerate online shopping procedures. According to Lone, S., Harboul, N. & Weltevreden, J.W.J. (2021), in the "2021 European E-commerce Report", before the pandemic many retailers recognized online channels as the next growth opportunity, but they were moving slowly and had difficulties in adapting to the online business model. At the same time, other players were able to shift quickly to online, experiencing a rise in sales and number of customers served. The ones who could adapt, in 2021 were also able to go beyond the classic home delivery of weekly groceries and meet different customer groups' needs, such as occasional shopping, instant grocery delivery, fresh ready-to-eat food and food delivery.

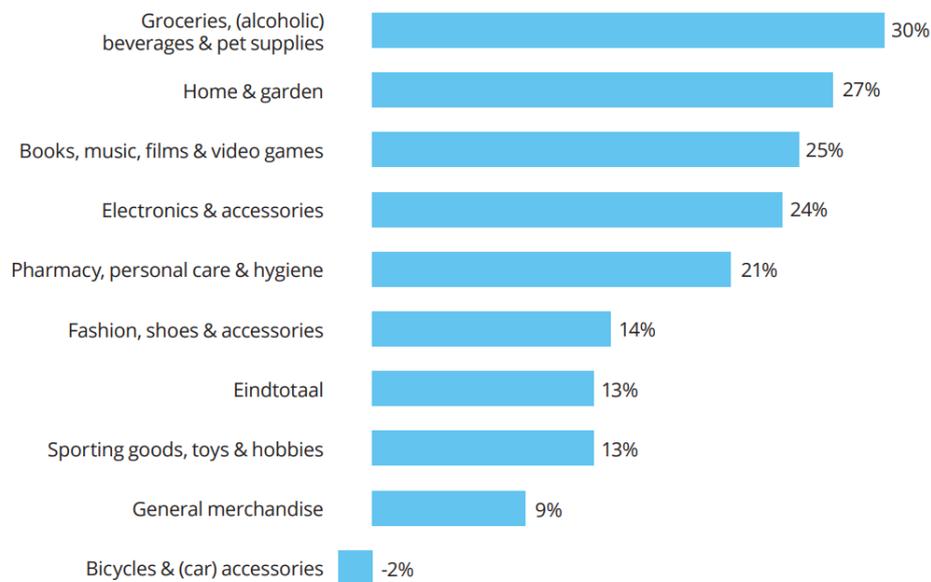
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In 2020, 89% of the EU-27’s population accessed the internet, and 73% shopped online (versus 68% in 2019) (Lone, S., Harboul, N. & Weltevreden, J.W.J. (2021)). This growth on the online shopping in the EU-27 countries can be split into different products’ categories, as it is presented in figure 1:



Source: European E-commerce Report (2021)

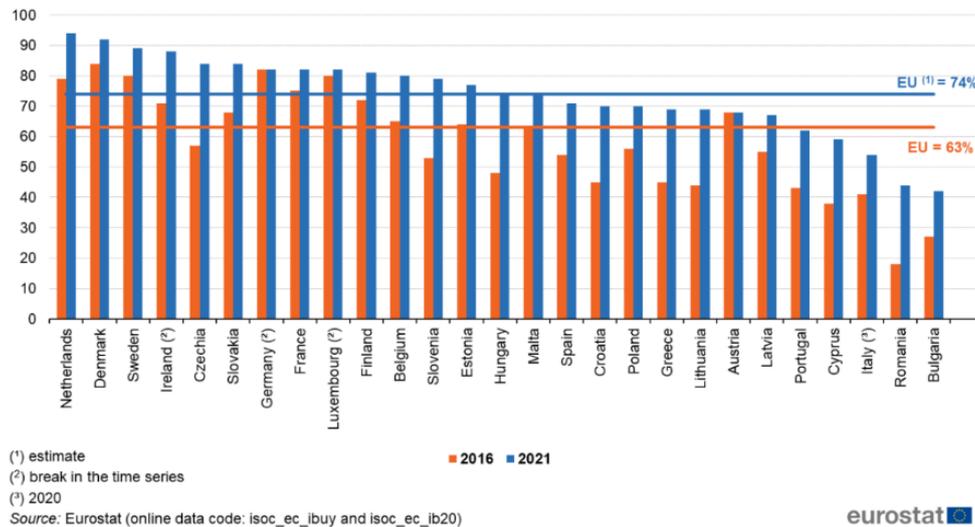
Figure 1 - Product Category Purchasing in EU-27 Countries (Last 3 months)



Source: European E-commerce Report (2021)

Figure 2 - Average Web Traffic Growth in the EU-27 in 2020 compared to 2019

Although the “food or beverages from stores” is not one of the top categories, its growth is significant when compared with 2019 results. As presented in Figure 2, “Groceries, (alcoholic) beverages & pet supplies” grew 30% in 2020, when compared to the pre-COVID year, achieving the highest growth among all categories.



Source: Eurostat (2021)

Figure 3 - Rate of internet usage for buying or ordering goods or services for private use in the EU-27

Figure 3 presents the rate of internet usage for buying or ordering goods or services for private use. The Netherlands leads the ranking, counting with 94% of internet users who acquire goods or services for private use, as groceries. Following Netherlands, there’s Denmark (92%), Sweden (89%), and Ireland (88%) – all of these countries are significantly higher than the European average on 2021 (74%). However, in Bulgaria and Romania, less than 50% of the population shopped online goods or services for private use. At the same time, the larger growth on internet shopping (25 percentage points or more) were recorded in Czechia, Hungary, Romania, Slovenia, Croatia and Lithuania.

The previous figures show that the European online presence is very heterogeneous, with ecommerce markets varying greatly. The internet usage rate, alongside with purchasing power, are factors that impact directly the adoption and growth of ecommerce and online companies, like Picnic. On continental level, during the COVID-19 pandemic,

the internet use increased at a normal growth rate, with 89% of the population accessing the internet, and although GDP didn't face substantial growth. Following 2021, the e-commerce is projected to continue an increasing trend (Lone, S., Harboul, N. & Weltevreden, J.W.J. (2021)).

1.5. THE NETHERLANDS

According to Silicon Canals (2021), the Netherlands retail industry is one of the most sophisticated in Europe, due to modern grocery retailers. Specifically in Amsterdam, major brick-and-mortar supermarkets are competing offline and online, to add value to customers, above and beyond the groceries' delivery.

Besides Picnic, there are two other main online grocery players: Getir and Gorillas. Getir was also founded in 2015, by Nazim Salur, Serkan Borancili, and Tuncay Tütek, and it has been revolutionizing the delivery services, by delivering groceries within ten minutes. The Istanbul-based company, after a successful launch in London, expanded its business to Amsterdam in 2021, being now one of the most important groceries' delivery companies in this city. In 2021, was expanded to other countries, namely as Germany, France, Spain, Italy, Portugal, and United States. Gorillas was founded in Germany, Berlin, by Kağan Sümer and Jörg Kattner in 2020 and its business model also relies on delivering goods within ten minutes at the customer's door. In 2020, Gorillas was also considered one of the fastest European start-ups to achieve the unicorn status. Gorillas' international expansion started in 2020, the year of its launch, opening operations in more than twelve cities, including Amsterdam, London, and Munich. Gorillas intends to expand to more than ten countries and more than fifty cities in the upcoming years.

Although all of them are app-only supermarkets, Picnic and the two competitors share several differences as presented in Table 1.

Table 1 - Picnic vs Getir vs Gorillas

Metric:	Picnic	Getir	Gorillas
Order method	App	App	App

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Minimum order value	35€	10€	No minimum
Maximum order quantity	No limit	Depends on weight and volume	Depends on the weight and a variable delivery fee may be added
Delivery costs	0€	1.99€	1.80€
Delivery time (average)	20 minutes	10 minutes	10 minutes

Picnic differentiates itself through its sustainable focus on all processes, as well as in the order quantity, once the vans allow the customer to order bigger quantities each time, rather than Getir or Gorillas that rely on bikes or scooters for the delivery process, focusing on smaller orders. Lastly, Picnic still does not charge a delivery fee, while both competitors do. Through these differences but also similarities, in the Netherlands the three companies are considered true rivals, competing with each other on a daily basis.

1.6. INTERNATIONAL EXPANSION

To achieve its vision, Picnic's strategic goals rely on capturing a large share of the online groceries market, growing faster than its competitors, and exploiting economies of scale. Because of these goals, when the company was launched in 2015, it also started its international expansion to Germany. The location on the Netherlands was central as it provided easy access to other Western European countries, offering great potential for expansion. Germany provided other benefits: the largest neighboring country in terms of economy and population. In addition, the two countries are related in terms of culture, history, and politics, which made them long lasting allies. In 2021, Germany represented the most important economic partner for the Netherlands, especially through international trade. Besides the geographical and cultural closeness, other factors were considered by Picnic for Germany's expansion strategy, namely the growth potential and level of

competition. Importantly, as Picnic is an app-only supermarket, it does not face “physical” restrictions and costs when expanding to other markets, such as opening and renting stores/warehouses or building a logistics network and supply chain from scratch. These factors made international expansion a relatively straightforward decision for Picnic.

In September 2021, Picnic received funding of approximately 700 million euros to speed up its European expansion. Investors included its current shareholders, as well as Bill & Melinda Gates Foundation Trust. The funding is going to be used to improve the efficiency of the company’s processes, mostly in robotic and technological improvements, to buy electric vehicles, to hire a new team of software developers, to identify new ways to satisfy demand in a more sustainable way and to finance the company expansion.

At the same time, Mariana, a graduate student of the master’s in management, moved to the Netherlands to start her internship in Picnic. She was allocated to the European expansion project. The goal of the project was to assess the viability of several European countries and decide where the company should go next.

Mariana was very excited with this project because of its direct impact on Picnic business. Mariana thought for herself, with a smile on her face: “This is really an exciting project! Picnic is expanding its own boundaries, while expanding the boundaries of all the online food retail industry and I am participating in this process”.

Given the complexity of the project, she decided to divide it into four main tasks: first, do a top-level evaluation of the European continent and the potential attractiveness of the countries within the EU-27 group; second, identify a shorter list of candidates and for those, do a careful research and market analysis, in order to cover the risks, potential barriers or challenges, but also advantages for a new market entrant; third, define the go-to-market strategy for the country/countries chosen, including what form of market entry would be expected for Picnic to implement; lastly, having the country/countries and the strategy well defined, develop a communication strategy and ways to achieve customer engagement.

For the first task, she had to come up with a criterion. After researching the industry and the German expansion, she considered that the following factors:

- **Market Size** – This metric should consider the total population. In the specific case of Picnic, the metric should evaluate to the total population with internet access.
- **Online Sales Growth Rate** – In these criteria, Picnic should consider how often and how much the population of a country spend on online shopping. With the online sales growth rate for the last 2 years and the expected growth rate forecasted for the upcoming years, Picnic would have a better view on a country's growth potential.
- **Competition** – The more competitive the online retail industry is, the less attractive a country is. In these criteria, Picnic should evaluate both the direct and indirect competition of a country. Direct competition includes the food delivery services, not only supermarkets, but also companies whose business model relied on home delivery. Indirect competition includes the remaining traditional brick-and-mortar supermarkets. Besides identifying them, Picnic should also evaluate the performance and the marketing expertise of the competition in a country.
- **Suppliers** – This metric is one of Picnic's main concerns as its business model relies on the number of suppliers in the country, available to partner with the company and sell its products in the app. Many suppliers would be favorable, nevertheless these suppliers must also commit with Picnic's sustainable processes in production and packaging.

Then, Mariana collected country-level data on several macro-economic and institutional data. Exhibit 1 presents this data.

After a few weeks, Mariana already knew which European country or countries, Picnic should first expand to. It is March 15, 2022. Mariana opens the door and finds Picnic co-founder and CEO, Michiel Muller, already seated in the meeting room waiting for her presentation. A mixture of feelings invaded her, she felt at same time nervous and excited. There was no turning back. She looks at her supervisor and takes a step forward. She was confident on her work and about the direction that Picnic should follow.

1.7. DISCUSSION QUESTIONS

1 – Perform a multifactor analysis for the European countries that Picnic can consider for the expansion, identifying the top 5, within the EU-27.

2 – Perform a CAGE distance analysis for the top 5 countries, identifying the top 2 based on the results of the analysis.

3 – Identify the go-to-market and choose the expansion strategy, as well as the form in which Picnic would perform this entrance in the new market.

4 – Develop the communication strategy, identifying specific ways and actions that Picnic can use to achieve customer engagement in the new country.

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1.10. FURTHER READINGS

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1.11. EXHIBITS

Exhibit 1 – Macro-economic data for the EU-27 countries

EU-27 countries	GDP per capita	Internet usage 2020	Population 2020	Market size	E-GDP GR 2020	Competitiveness 2021 World Ranking Position
Austria	35 390 €	86%	8932664	7682091	28%	19
Belgium	33 880 €	90%	11556041	10400437	4%	24
Bulgaria	6 380 €	69%	6916548	4772418	36%	53
Croatia	11 720 €	78%	4036355	3148357	36%	59
Cyprus	23 770 €	91%	854802	777870	24%	33
Czechia	17 340 €	86%	10701777	9203528	28%	No Info
Denmark	48 150 €	97%	5840045	5664844	3%	3
Estonia	15 010 €	88%	1330068	1170460	3%	26
Finland	36 050 €	95%	5533793	5257103	3%	11
France	30 610 €	77%	67439599	51928491	4%	29
Germany	34 310 €	93%	83055031	77241179	4%	15
Greece	16 170 €	77%	10682547	8225561	24%	46
Hungary	12 680 €	84%	9730772	8173848	28%	42
Ireland	62 980 €	89%	5006907	4456147	4%	13
Italy	24 900 €	73%	59257566	43258023	24%	41

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Latvia	12 150 €	87%	1893223	1647104	3%	38
Lithuania	14 030 €	82%	2795680	2292458	3%	30
Luxembourg	82 250 €	96%	634730	609341	4%	12
Malta	20 410 €	86%	516100	443846	24%	No Info
Netherlands	40 160 €	93%	17475415	16252136	4%	4
Poland	12 700 €	81%	37840001	30650401	28%	47
Portugal	17 070 €	76%	10298252	7826672	24%	36
Romania	8 830 €	76%	19186201	14581513	36%	48
Slovakia	15 180 €	88%	5459781	4804607	28%	No Info
Slovenia	19 720 €	85%	2108977	1792630	28%	40
Spain	22 350 €	91%	47394223	43128743	24%	39
Sweden	42 570 €	95%	10379295	9860330	3%	2

2. TEACHING NOTE

2.1. SYNOPSIS

This case-study presents the challenges faced by Picnic intern, Mariana Torrão, in assessing Picnic's European expansion. It also discusses the challenges, risks, and barriers that Picnic will potentially face once starts expanding its business to other markets within Europe. Picnic is a Dutch online groceries retailer, considered as the biggest start-up of the country.

Picnic is a Dutch online grocery retailer, which started its international expansion in 2015 in Germany, a relatively close country to the Netherlands. However, in 2021, several investors, including Bill & Melinda Gates Foundation Trust, increased their share in equity and funding provided to the company, to help and accelerate Picnic's internationalization.

This case highlights the potential markets and the international strategy to be followed. More specifically, the case identifies all the steps required to select a new market to expand, the strategy and the form of entry in a new market, as well as the communication strategy to attract the new customers and engage them.

This company already started its international expansion, opening activity in Germany, a relatively close country to the Netherlands. However, this year, several investors (including Bill & Melinda Gate Foundation Trust) increased their share in equity and funding provided to the company, in order to help and accelerate Picnic's expansion. This case highlights the potential markets and the international strategy to be followed.

To sum up, this case discusses the viability and possibilities for Picnic to expand the boundaries of online retail to other European markets.

2.2. TEACHING OBJECTIVES

After reading and analyzing this case, students should be able to:

- Analyze European countries' attractiveness for the international expansion of an online groceries company.

- Understand which the risks, challenges and opportunities are faced by companies that intend to expand internationally.
- Apply strategic and international frameworks, as the CAGE distance analysis, to identify a possible solution for a real-world business problem.
- Explore the international expansion strategies (Waterfall, Sprinkler, and Wave) and the market entry ways (Exporting, Licensing, Joint Ventures and Direct Investment).
- Discuss communication strategies, as well as specific actions and methods to achieve customer engagement and retain customers.

2.3. TARGET AUDIENCE

This case can be used for graduated-level and post-graduated or executives' courses, in international business, strategic management and marketing courses. For example, it can be used in Master of Business Administration (MBA), Master in Management or Master in International Business. Furthermore, it can be an important pedagogical tool for degrees in areas such as international business and marketing.

The case should be used to teach the steps required to evaluate international expansion. Students must apply their knowledge on various subjects of management, marketing and international management – strategic thinking and decision, multifactor analysis to determine attractiveness, CAGE distance analysis, Expansion Strategies, forms of entry in new markets, Segmentation, Targeting and Positioning (STP) analysis, and the Four P's of Marketing (4P's), specifically Promotion and Communication strategy.

The case presents several references that students can use to guide their discussion. It is also needed to collect additional information.

2.4. MATERIALS

Once the execution and discussion of this case study, students should have access to:

- An auxiliary spreadsheet to facilitate the identification of the solution;

- A spreadsheet with the possible solution on the data provided and analyzed, as well as the assumptions made.

2.5. SUGGESTED TEACHING STRATEGY

The case should be shared with students in advance, so they can solve it in groups on an agreed lecture. Once solved, students should deliver their resolution and the instructor should structure the lecture according to the schedule on Table 2.

Table 2 - Teaching strategy suggested timings

1. Summary of the case	5 min
2. Structuring the approach for solving the case	10 min
3. Reviewing Picnic's expansion goals and German strategy	10 min
4. Discussing and solving the case	45 min
5. Presentation of each group's strategies for Picnic expansion	30 min
6. Wrap-up and discussion of all Picnic's options to do next	20 min
Total time	120 min

1. Summary of the case (5 minutes)

- What is this case about?

The instructor can ask the students to summarize the case, providing an overview of Picnic and presenting the main discussion questions to be answered. They should focus on Picnic's business model, as well as its expansion strategy.

2. Structuring the approach for solving the case (10 minutes)

- What is the key problem and challenges of this case?

Problem: Picnic's European expansion.

Challenges: Picnic's intern and the team need to identify which European country Picnic should expand its business to.

- How should the case be solved?

While there are many possibilities within the European continent, the objective is to focus on the most suitable one, determining which country meets both attractiveness and closeness to Picnic's vision and strategy.

3. Reviewing Picnic's expansion goals and German strategy (10 minutes)

- How did Picnic choose to expand to Germany?

Germany represented the largest neighboring country of the Netherlands, in terms of both, economy and population. Also, these two countries were extremely related in terms of culture, history, and politics, as well as their dependence on each other regarding international trade. However, other factors as Germany's growth potential and the level of competition were also considered.

4. Discussing and solving the case (45 minutes)

- What is the top 10 of countries that Picnic should focus its expansion on?

The instructor should define the macro-economic metrics to be analyzed for each EU-27 country. Then, weights should be given to those metrics, considering its degree of importance in Picnic's view. As soon as having the data, it will be possible to sum all the weighted scores in order to rank the countries from the highest to the lowest, identifying the top 10.

- What is the top 5 of countries?

As concluded in the German expansion, the geographical factor was one of the most important factors considered. The top 5 of countries can be found by determining the distance between the top 10 countries and the capital of the Netherlands, Amsterdam. Weights and scores will be given so the best five options can be identified.

- What is the top 2 of countries?

The geographical distance is not the only distance that Picnic will consider while choosing a go-to market. Cultural, administrative, and economic are others that should be taken into account to better identify the closeness of a country to another. The CAGE Distance Analysis framework can be performed and analyzed for the top 5 countries, identify the top 2 of countries which closeness to the Netherlands is higher.

- Which expansion strategy should be followed?

Considering the waterfall, sprinkler and wave strategies, the option that better suits Picnic's expansion past and ambitions, is the waterfall. This strategy will be the right one to pursue.

- Which market entry way should be adopted?

After Bill & Melinda Gates Foundation Trust investment and analyzing the several market entry strategies, as exporting, licensing, contract manufacturing, joint ventures and equity stake or acquisition, Picnic should adopt the investment by equity stake.

- How should Picnic develop the communication strategy to achieve customer engagement in the new country?

Based on the STP framework, Picnic will firstly segment, target, and position itself to better meet its customers' needs. Then, the promotion mix should be set, identifying specific actions for the different promotional methods, focused on the customer from the new country.

5. Presentation of each group's strategies for Picnic expansion (30 minutes)

- Which country or countries should Picnic expand to?

The instructor can ask each group to briefly explain their solution, referring to which country they believe Picnic should expand to, as well as what was determined to arrive to that solution.

6. Wrap-up and discussion of all Picnic's options to do next (20 minutes) (*Refer to point 5 above.*)

The discussion and execution of this case is suggested to be performed as a group assignment, after lecturing about international management. It is also suggested for students to work on groups of between three and five elements, so interaction and ideas' sharing can be possible, accelerating the search process, the learning, and the answering of the proposed questions.

2.6. SUGGESTED ANSWERS FOR THE DISCUSSION QUESTIONS

1. Perform a multifactor analysis for the European countries that Picnic can consider for the expansion, identifying the top 5 (within the EU-27).

A multifactor analysis should be applied to identify the top 5 countries to which Picnic should expand. This analysis identifies the attractiveness of each country using several criteria. Below, a possible list of criteria is presented, as well as its respective weight:

- Gross Domestic Product (GDP) per capita (30%);
- Market size (25%);
- Market growth (10%);
- Intensity of competition (15%);
- Country risk (10%);
- Opportunity to differentiate products and services (10%).

GDP per capita (30%)

The Gross Domestic Product per capita measures the prosperity and richness of a country. Through GDP per capita it is also possible to evaluate the average overall contribution of each person for the country's economy. Countries with higher GDP per capita are more likely to have a better or higher standard of living, once its population spends more, contributing for the economy to grow. This way, GDP per capita higher than €40 thousand will be scored with 5, countries which GDP per capita is between €40 thousand and €20 thousand are scored with 4, between €20 thousand and €15 thousand are scored with 3, between €15 thousand and €10 thousand are scored with 2 and, lastly, GDP per capita lower than €10 thousand is scored with 1 (see Exhibit TN1 – GDP per capita).

Market Size (25%)

To estimate the market size, the country's rate of internet users is multiplied by the total population of the country. This metric allows us to determine which countries have the highest number of individuals engaged with daily online shopping, meaning that those countries will be more likely to purchase products from online platforms, such as Picnic. Countries which market size is bigger than 30 million individuals are scored with 5, countries with market size between 30 million and 5 million are scored of 4, between 5 million and 1 million are scored with 3, between 1 million and 500 thousand are scored with 2, and lower than 500 thousand are scored with 1 (see Exhibit TN2 – Market size).

Market Growth (10%)

For this metric, the E-GDP GR (growth rate) in 2020 available in the “2021 European Ecommerce E-commerce Report” (Lone, S., Harboul, N. & Weltevreden, J.W.J. (2021)) is used, as it highlights the growth on online purchases. This metric determines the total contribution of ecommerce to the country’s GDP. The factor market growth has a weight of 10%, because the growth rate tends to be smaller for countries with higher shares of total European ecommerce turnover. In this way, countries from regions which growth rate is 30% or more are scored with 5, countries from regions which growth rate is between 25% and 29% are scored 4, countries from regions which growth rate is between 20% and 24% are scored 3, countries from regions which growth rate is between 15% and 19% are scored 2, and lastly, countries from regions which growth rate is lower than 14% are scored 1 (see Exhibit TN3 – Market growth).

Intensity of the Competition (15%)

The Global Competitiveness Report (GCR) is a yearly report published by the World Economic Forum. Since 2004, the Global Competitiveness Report ranks countries based on their Global Competitiveness Index. The highest the position in the ranking, the highest the level of competitiveness in the country. Therefore, countries which position in the ranking is between 1 and 5 are scored with 5 once we considered that competitive countries are more likely to facilitate the entrance of new companies. Countries which position in the ranking is between 6 and 10 are scored with 4, countries which position in the ranking is between 11 and 25 are scored with 3, countries which position in the ranking is between 26 and 40 are scored with 2 and, lastly, countries which position in the ranking is higher than 41, are scored with 1 (see Exhibit TN4 – Intensity of competition).

Country Risk (10%)

Country Risk is a metric that measures the potential risk a business can face when entering in a country (exchange-rate risk, economic risk and political risk). Countries are ranked based on a letter score from A (low risky) to C (high risky). Countries which country risk is A are scored with 5, BBB are scored with 4, BB are scored with 3, B are scored with 2 and C will be scored with 1 (see Exhibit TN5 – Country Risk).

Opportunity to differentiate from products and services (10%)

The Social Progress Index (SPI) measures the extent to which countries provide for the social and environmental needs of their citizens. Through SPI, companies have a better understanding of the countries' extent to innovation and sustainable ideas. The higher the position in the ranking, the more open a country is to sustainability. Countries which position in the ranking is between 1 and 5 are scored with 5, countries which position in the ranking is between 6 and 10 are scored with 4, countries which position in the ranking is between 11 and 25 are scored with 3, countries which position in the ranking is between 26 and 40 are scored with 2 and, lastly, countries which position in the ranking is higher than 41, are scored with 1 (Exhibit TN6 – Opportunity to differentiate from products and services).

Table 3 - Multifactor Analysis Top 10 Results

EU-27 countries	Household income (Score*Weight) Weight: 30%	Market Size (Score*Weight) Weight: 25%	Market Growth (Score*Weight) Weight: 10%	Intensity of Competition (Score*Weight) Weight: 15%	Country Risk (Score*Weight) Weight: 10%	Opportunity to differentiate (Score*Weight) Weight: 10%	Total	Ranking
Denmark	1.5	1	0.1	0.75	0.5	0.5	2.85	1
Netherlands	1.5	1	0.1	0.75	0.5	0.4	2.75	3
Germany	1.2	1.25	0.1	0.45	0.5	0.4	2.7	4
Spain	1.2	1.25	0.3	0.3	0.5	0.3	2.65	5
Austria	1.2	1	0.4	0.45	0.5	0.3	2.65	6
Finland	1.2	1	0.1	0.45	0.5	0.5	2.55	7
Poland	0.6	1.25	0.4	0.15	0.5	0.2	2.5	8
France	1.2	1.25	0.1	0.3	0.5	0.3	2.45	9
Italy	1.2	1.25	0.3	0.15	0.4	0.3	2.4	10
Belgium	1.2	1	0.1	0.45	0.5	0.3	2.35	11
Portugal	0.9	1	0.3	0.3	0.4	0.3	2.3	12
Slovenia	0.9	0.75	0.4	0.3	0.5	0.3	2.25	13
Sweden	1.5	1	0.1	0.15	0.5	0.5	2.25	2
Romania	0.3	0.3	0.5	0.15	0.4	0.1	2.15	14
Ireland	1.5	0.75	0.1	0.45	0.5	0.3	2.1	15
Hungary	0.6	1	0.4	0.15	0.4	0.1	2.05	16
Greece	0.9	1	0.3	0.15	0.3	0.2	1.95	17
Bulgaria	0.3	0.75	0.5	0.15	0.4	0.1	1.9	18
Croatia	0.6	0.75	0.5	0.15	0.4	0.1	1.9	19
Estonia	0.9	0.75	0.1	0.3	0.5	0.2	1.85	20
Latvia	0.6	0.75	0.1	0.3	0.5	0.2	1.85	21
Lithuania	0.6	0.75	0.1	0.3	0.5	0.2	1.85	22
Luxembourg	1.5	0.5	0.1	0.45	0.5	0.3	1.85	23
Slovakia	0.9	0.75	0.4	0	0.5	0.2	1.85	24
Cyprus	1.2	0.5	0.3	0.3	0.4	0.2	1.7	25
Czechia	0.9	1	0.4	0	0	0	1.4	26
Malta	1.2	0.25	0.3	0	0.5	0.2	1.25	27

After considering all the scores, it is possible to determine the following top 10 countries, excluding Netherlands and Germany: Denmark, Spain, Austria, Finland, Poland, France, Italy, Belgium, Portugal and Slovenia, as seen in Table 3.

As considered with the German expansion, the geographical distance was one of the main factors considered by Picnic while evaluating its first internationalization. To identify the top 5 of countries, the geographical distance between the potential country and the Netherlands was also taken into account. Countries which capital's distance to Amsterdam is lower than 500km are scored with 5, distance between 500km and 750km are scored with 4, distance between 750km and 1000km are scored with 3, distance between 1000km and 1250km are scored with 2, and countries which distance until Amsterdam is bigger than 1250km are scored with 1.

The top 5 includes: Poland, France, Belgium, Denmark and Austria (see Table 4).

Table 4 - Geographical distance factor results

Distance between Netherlands and:	Km	Score	Total	Ranking
Poland	448 km	5	7,85	1
France	430 km	5	7,65	2
Belgium	173 km	5	7,65	3
Denmark	621 km	4	6,55	4
Austria	937 km	3	5,5	5
Italy	830 km	3	5,45	6
Slovenia	990 km	3	5,4	7
Spain	1482 km	1	3,35	8
Finland	1501 km	1	3,3	9
Portugal	1863 km	1	3,25	10

2 – Perform a CAGE distance analysis for the top 5 countries, identifying the top 2 based on the results of the analysis.

A CAGE Distance Analysis will identify potential opportunities and threats within the 5 European countries. Hofstede’s cultural dimensions is another possible framework to evaluate the various dimensions of culture. The following data is according to Britannica (2022).

Poland

Cultural Distance

The Cultural Distance focuses on concepts like Languages, Ethnicities, Religions and Norms, Values and Dispositions. Poland's official language is Polish, however, there are several dialects: Great Polish, Little Polish, Mazovian, and Silesian, that correspond to the old tribal divisions. Before World War II, the Polish lands were known for the richness and variety of their ethnic communities. After the war, there were a vast number of people that was killed, especially migrants. Consequently, the population of Poland became one of the most ethnically homogeneous in the world. Regarding religion, the overwhelming majority of the Polish population is Roman Catholic, and a large number are Catholics. Lastly, in terms of norms and values, the most important value in the life of the Polish people is the family. Secondly, they value their health, and only after significant values such as honesty, quiet life, career, faith, and respect from others.

Administrative Distance

Colonial Ties, Political Hostility, Legal System and the Currency, are metrics that describe the Administrative Distance. The constitution of Poland's post-war socialist state, the Polish People's Republic, took effect in 1952 but was amended numerous times, most significantly in early 1989. In Poland the president nominates the prime minister and, on the prime minister's recommendation, the cabinet. For the legal system, the constitution guarantees the independence of the judiciary, and the supreme representative of the judiciary is the National Council of the Judiciary. Poland has a Supreme Court and other special judicial bodies, as well as general courts. Lastly, Polish's currency is the Polish Zloti (1 zloti corresponds to 0,22 euros).

Geographical Distance

For the Geographical Distance, country's size, land border and climate are the measures that will be evaluated. Poland physical area is 312.679 km² and it lies at the center of the European continent, it is irregularly circular in shape, and it is bordered to the north by the Baltic Sea, to the northeast by Russia and Lithuania, and to the east by Belarus and Ukraine. Regarding climate, six seasons may be distinguished: a snowy winter of one to three months; an early spring of one or two months, with alternating wintry and springlike conditions; a predominantly sunny spring; a warm summer with

plenty of rain and sunshine; a sunny, warm autumn; and a foggy, humid period signifying the approach of winter.

Economic Distance

Economic Distance is evaluated in terms of household income per capita and infrastructures, in terms of internet and payment methods. Polish average household income per capita is USD 19.814/year. In 2020, 86.8% of the Polish population had access and used internet daily, which compared with previous countries is lower. Regarding available and preferred payment methods, in 2020 27% of Polish peoples paid products or services using the famous “home banking”, 25% through PayPal or similar, and after, 24% using debit or credit card.

France

Cultural Distance

French is the national language. Brogues and dialects are widespread in rural areas, however, many people tend to conserve their regional linguistic customs, as the Alsatian and Flemish (or Dutch). Regarding ethnic groups, French is strongly conscious of belonging to a single nation, but they hardly constitute a unified ethnic group. Still, the overwhelming majority is considered French, while the other groups are considered minorities (most considerable from other European countries). About 3/5 of the French people belong to the Roman Catholic Church, followed by atheists. The French motto “Liberty, Equality, and Fraternity” reflects the values of French society. The French also value style and sophistication, and they take pride in the beauty and artistry of their country. Family is also highly valued in French culture, not only on a regular basis but the extended-family gatherings and meals are also common over the weekend.

Administrative Distance

To achieve the political stability that was lacking in the Third and the Fourth Republic, the constitution of 1958 adopted a mixed (semi-presidential) form of government, combining elements of both parliamentary and presidential systems. As a result, the parliament is a bicameral legislature composed of elected members of the National Assembly (lower house) and the Senate (upper house). The president is elected separately by direct universal suffrage and operates as head of state. The constitution gives the

president the power to appoint the prime minister and also appoints the Council of Ministers, or cabinet, which together with the prime minister is referred to as the government. In the French legal system, there are two types of jurisdictions: the judiciary that judges trials between private persons and punishes infringements of the penal law and an administrative judicial system that is responsible for settling lawsuits between public bodies, such as the state, local bodies, and public establishments, as well as private individuals. Lastly, official currency is Euro.

Geographical Distance

France, among the 5 countries, is the biggest one in terms of physical area: 543.940 km². In terms of shape, it is roughly hexagonal, and its continental territory is bordered on the northeast by Belgium and Luxembourg, on the east by Germany, Switzerland, and Italy, on the south by the Mediterranean Sea, Spain, and Andorra, on the west by the Bay of Biscay, and on the northwest by the English Channel (La Manche). The climate of France includes three major climatic zones—oceanic, continental, and Mediterranean: the pure oceanic climate prevails in the northwest, especially in Brittany and it is characterized by its low annual temperature variation (between 6°C and 16°C the whole year); the continental climate (around the city of Strasbourg) has the greatest temperature range in France, once winter is cold, with an average of 83 days of frost and with snow cover for several weeks, although the weather is often sunny and significantly good in the summer; in the southeast the Mediterranean climate extends over the coastal plains and penetrates the valley of the lower Rhône River as far as the Montélimar area, and the main difference is its dry summers and wet winters.

Economic Distance

French average household income is USD 31.304/year, and the internet usage rate in this country is about 83.3%. Regarding availability of payment methods, the preferred one is the credit/debit card (53.9% of payments), followed by digital wallet (app in the mobile phone) that represents 20.9% of the payments, and lastly, bank transfers representing 13.2%.

Belgium

Cultural Distance

Belgium population is divided into three linguistic communities: in the north, the Flemings, whose official language is Flemish, which is equivalent to Dutch; in the south, the French-speaking population; and the third, the German-language in the region of Liège province. In terms of ethnicities, the foreign population makes less than one out of ten of the Belgium population, being its majority EU citizens. However, there is also a large number of immigrants from other parts of the world, particularly North and Central Africa, the Middle East, and Southwest Asia. Regarding religion, the big majority of Belgians are Roman Catholic (about 60%). Lastly, Belgians are known for their tolerance, flexibility, modesty, and open mind. They also value privacy, enjoy a comfortable life, work hard, and tend to be very involved in the communities or even with the government.

Administrative Distance

Belgium is a constitutional monarchy and under the terms of the constitution, national executive power is responsibility of the monarch and his Council of Ministers, whereas legislative power is shared by the monarch, a bicameral parliament comprising the Chamber of Representatives and the Senate, and the community and regional councils, and the prime minister is the effective head of government. In terms of legal system, judges are appointed for life by the monarch, and they cannot be removed except by judicial sentence. The Supreme Court of Justice is composed of three chambers: civil and commercial, criminal, and one for matters of social and fiscal law and the armed forces. Regarding currency, the coin adopted is the Euro.

Geographical Distance

Belgium has a total of 30.689 km² of area and it is bounded by the Netherlands to the north, Germany to the east, Luxembourg to the southeast, and France to the south. Belgian climate is considerable variable and winters are damp and cool with frequent fogs, while summers are rather mild. The annual mean temperature is around 10°C, and it has minimum temperature of 0°C in January and a maximum of 22°C in July.

Economic Distance

In Belgium, the average household income is USD 33.604/year, while the internet usage rate was 87% in 2021. In terms of payment methods, the most popular method is Bancontact, which has more cards in circulation than Belgian citizens. It is a debit card that offers 100% guarantee on the payment and can be used across both offline and online

channels. However, the majority of point-of-sales retail transactions are still made by cash.

Denmark

Cultural Distance

Regarding languages, there is only one official language in Denmark, Danish (or Dansk). Denmark is almost entirely inhabited by ethnic Danes. Few Faroese or Greenlanders have settled in continental Denmark, despite their status as Danish citizens, and there is also a small minority of Germans. Religion is more diverse in Denmark. Roman Catholic churches and Jewish synagogues have long existed in the larger cities, and the first mosque in the country was built in 1967. By the beginning of the 21st Century, Islam had become an increasingly important minority religion, and a significant number of Danes were not religious at all. However, most of the Danes remained at least nominally members of the state church, the Evangelical Lutheran People's Church of Denmark. Lastly, the Danes are known for being cosmopolitan, well-educated, and openminded people. Equality is a keyword in Danish culture.

Administrative Distance

The Constitution of June 5th of 1953 in Denmark provides for a unicameral legislature, the Folketing, with not more than 179 members (including two from the Faroe Islands and two from Greenland). The prime minister heads the government, which is composed additionally of cabinet ministers who run the various departments, such as justice, finance, and agriculture. Regarding legal system, most criminal charges and civil disputes fall within the jurisdiction of district courts. In Copenhagen there is a Maritime and Commercial Court, which also uses lay judges, and the Supreme Court sits at the apex of the legal system. Lastly, the currency in place is the Danish Krone (1 krone corresponds to 0,13 euros).

Geographical Distance

Denmark counts with 42.933 km² of physical area, but despite this small size and population, Denmark has nonetheless played a notable role in European history. Denmark is attached directly to continental Europe at Jutland's 68km boundary with Germany. Other than this connection, all the frontiers with surrounding countries are maritime,

including with the United Kingdom to the west across the North Sea. Regarding climate, Denmark experiences changeable weather, lakes may freeze, and snow frequently falls during the cold winters, yet the mean temperature in February, the coldest month, is about 0°C. Summers are mild, facing episodes of cloudy weather and sunny days, and the average temperature in July, which is the warmest month, is approximately 16°C.

Economic Distance

In Denmark, the net average household income per capita is USD 29.606/year. There were 5.69 million internet users in Denmark in January 2021, representing a total of 93% of population who uses the internet. In terms of payment methods, 65% are made by credit card, followed by 16% using E-Wallets and 12% prefer paying with their mobile phones. Cash represents a minority within all the payment methods. The Danes are truly committed to digital solutions.

Austria

Cultural Distance

Almost everyone in Austria speaks German, although there's some minority groups who speak Croatian, Hungarian, Slovenian, Turkish, and other languages. In the same way, ethnic Austrians constitute the majority of the total population, existing only small but significant groups of German-speaking Swiss and ethnic Germans that also reside in the country. About three-fourths of Austrians are Christian, being the overwhelming majority adherents to Roman Catholicism (66%). Lastly, cooperation, formality and *gemütlichkeit* (warmth or happiness) are the main value of the contemporary Austrian culture. Austrians also have a deep respect for the environment, arts, and enriching conversations.

Administrative Distance

With the liberation of Austria in 1945, the constitution of 1929 was revived and subsequently became the foundation of constitutional and political life in the "Second Republic", being known as a democratic republic. The head of government is the federal chancellor, and it is the president who appoints the chancellor. The chancellor nominates the other cabinet members, who also are officially appointed by the president. In terms of Legal and Justice, there's no Case Law system, meaning that judges are not subject to any

government influence: they are appointed by the cabinet upon nomination by judicial panels. Austria has three high courts: one sitting as the highest body of appeal in civil and criminal matters; a top administrative court to which citizens affected by administrative decisions can appeal; and a constitutional court that decides on all constitutional matters, civil rights, and election disputes. Lastly, Euro is the official currency in Austria.

Geographical Distance

Austria’s total area is 83.879 km² and is bordered to the north by the Czech Republic, to the northeast by Slovakia, to the east by Hungary, to the south by Slovenia, to the southwest by Italy, to the west by Switzerland and Liechtenstein, and to the northwest by Germany. The country extends roughly 580 km from east to west. There’s a warm temperate humid climate with the warmest month lower than 22°C on average and four or more months above 10°C.

Economic Distance

In Austria, the average household income per capita is USD 23.642/year. In terms of internet usage rate, in 2020, 88% of the population used internet. The most used payment method by Austrians is card (both debit and credit), representing around 31% of the payments, followed by open invoice, 28%, digital wallet, representing 16%, and bank transfer, 15%. Cash is no longer one of the most used payment methods in Austria.

Table 5 - CAGE Analysis Summary

	<u>Netherlands</u>	<u>Poland</u>	<u>France</u>
Cultural Distance			
Languages	Dutch, English	Polish	French
Ethnicities	Dutch, smaller minorities	Polish, smaller minorities	French and smaller European minorities
Religions	Atheist (51%), Christianity (40%)	Roman Catholics	Roman Catholics
Norms, Values and Dispositions	Modest, tolerant, independent, self-reliant, and entrepreneurial. They value education, hard work, ambition and ability.	Family, health, honesty, quite life, career, faith and respect from others.	“Liberty, Equality, and Fraternity”; style, sophistication, family.

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<p>Administrative Distance</p> <p>Political and Constitutional</p> <p>Legal system</p> <p>Currency</p>	<p>Constitutional monarchy</p> <p>Unitary parliamentary democracy</p> <p>Euro</p>	<p>Polish People’s Republic</p> <p>Supreme Court</p> <p>Zloti</p>	<p>Parliament is a bicameral legislature</p> <p>Dual legal system</p> <p>Euro</p>
<p>Geographic Distance</p> <p>Size</p> <p>Land border</p> <p>Climate</p>	<p>41.500 km²</p> <p>North Sea to the north and west, Germany to the east, and Belgium to the south</p> <p>Temperate, with gentle winters, cool summers, and rainfall in every season</p>	<p>312.679 km²</p> <p>To north by the Baltic Sea, to the northeast by Russia and Lithuania, and to the east by Belarus and Ukraine.</p> <p>6 different seasons; very diversified</p>	<p>543.940 km²</p> <p>On the northeast by Belgium and Luxembourg, on the east by Germany, Switzerland, and Italy, on the south by the Mediterranean Sea, Spain, and Andorra, on the west by the Bay of Biscay, and on the northwest by the English Channel (La Manche).</p> <p>3 major climatic zones—oceanic, continental, and Mediterranean</p>
<p>Economic Distance</p> <p>Average Household Income</p> <p>Infrastructure (internet)</p> <p>Infrastructure (payment)</p>	<p>USD 29.333/year</p> <p>91% of total Dutch population uses internet</p> <p>Roughly 50% iDeal direct (mobile phone app), followed by credit/debit card (18%)</p>	<p>USD 19.814/year</p> <p>87% of the population uses internet</p> <p>Home banking, followed by credit/debit card</p>	<p>USD 31.304/year</p> <p>83% of the population uses internet</p> <p>Credit/debit card, followed by digital wallet and bank transfers</p>

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	<u>Belgium</u>	<u>Denmark</u>	<u>Austria</u>
Cultural Distance			
Languages	Flemish (Dutch), French, German	Danish	German
Ethnicities	Belgian and smaller European minorities	Danes and smaller minorities	Austrians and smaller minorities (as German speaking Swiss)
Religions	Roman Catholics	Roman Catholics, Evangelic, Jewish, Islam	Roman Catholics
Norms, Values and Dispositions	Tolerance, flexibility, modesty, open mind.	Equality, cosmopolitan, well-educated, and openminded people	Cooperation, formality, gemütlichkeit (warmth or happiness), respect for the environment, arts and enriching conversations
Administrative Distance			
Political and Constitutional	Constitutional monarchy	Unicameral legislature	Democratic republic
Legal system	Supreme Court of Justice	Supreme Court	No Case Law system
Currency	Euro	Danish Krone	Euro
Geographic Distance			
Size	30.689 km ²	42.933 km ²	83.879 km ²
Land border	By the Netherlands to the north, Germany to the east, Luxembourg to the southeast, and France to the south.	Boundary with Germany and the remaining frontiers with surrounding countries are maritime, including with the United Kingdom to the west across the North Sea.	To the north by the Czech Republic, to the northeast by Slovakia, to the east by Hungary, to the south by Slovenia, to the southwest by Italy, to the west by Switzerland and Liechtenstein, and to the northwest by Germany.
Climate	Considerable variable and winters are damp and cool with frequent fogs, while summers are rather mild.	Changeable weather, but cold winters and mild summers	Warm temperate humid climate

Economic Distance			
Average Household Income	USD 33.604/year	USD 29.606/year	USD 23.642/year
Infrastructure (internet)	87% of the population uses internet	93% of the population uses internet	88% of the population uses internet
Infrastructure (payment)	Bancontact (debit card)	Credit card (mainly), e-wallets, mobile payments	Credit/debit card, followed by open invoice, digital wallet and bank transfers

Table 5 summarizes the main information of the top 5 countries and compares them with the Netherlands characteristics. There are several approaches to be taken when concluding a CAGE Distance Analysis. From all the countries evaluated, France and Belgium are the two countries that better meet the characteristics needed for Picnic’s success. In terms of culture, this choice is based on the fact that both France and Belgium have relatively similar ethnic groups, as well as religions and values, while French is spoken in the two countries. Compared with the Netherlands, Belgium has the closest Political and Constitutional systems, also having the same currency, as well as France (euro). In terms of geography, Belgium presents the smallest area, being quite similar to the Netherlands’ area. At the same time, even if representing the larger area among the five countries, France is bordered by Belgium, Luxembourg and Germany, which are relatively close countries to the Netherlands, which still makes it a favorable choice. For the economic distance, France and Belgium represent the two countries which average household income is higher. In terms of internet usage, Belgium’s rate is higher than the French one, what can demonstrate higher attractiveness for a business model like Picnic’s.

3 – Identify the go-to-market and choose the Expansion Strategy, as well as the form in which Picnic would perform this entrance in the new market.

As concluded in the previous question, the following go-to-markets were identified: Belgium and France.

First, Picnic must consider the entry timing strategies and identify the advantages and disadvantages of each of them:

- Waterfall Strategy;
- Sprinkler Strategy;
- Wave Strategy.

Waterfall Strategy

This strategy suggests that markets are entered market by market and is most useful when learning and understanding a new market is the key factor. After entering in a new market, the key learnings should be used for the second market, to avoid making the same kind of mistakes twice, using them as learning experiences. The waterfall strategy is also used for small to medium size firms, normally because of financial or investment limitations, which is the case of Picnic. The biggest disadvantage concerns the entry speed. The waterfall strategy is the slowest, therefore competitors might enter the new markets earlier and gain competitive advantage.

Sprinkler Strategy

For this strategy, companies would enter multiple markets at the same time to gain market share faster. Contrarily to the waterfall strategy, with this approach, the risk of competitors gaining the first-mover advantage is reduced. However, the Sprinkler Strategy will bring more risks and costs, as companies cannot make use of the learning advantage in previous markets' entries. As mentioned in the case, the European market is greatly diverse in terms of cultures and languages, but also regarding ecommerce habits, internet usage rates, or purchasing power. Therefore, the sprinkler strategy might not be feasible for Picnic. Nevertheless, Getir, Picnic's bigger competitor in the Netherlands, is currently following this strategy, opening activity in different countries at the same time, regardless their differences, similarities, or closeness.

Wave Strategy

Wave Strategy is the result of the combination of both waterfall and sprinkler: entering in several markets at once, however they are grouped according with specific

characteristics. The strategy considers the advantages of both Waterfall and Sprinkler strategies, although it will require significant investment and effort.

As Picnic is about to enter in a different market from its current markets (Dutch and German), the most suitable entry timing strategy is the waterfall, implying a roll-out of European countries, entering one by one: first, Belgium would be the priority, due to its geographical closeness, shared language, similar patterns in household income per capita or internet usage rates; and then, France, and at a later stage, consider the possibility of expanding to other European countries, taking into account all the knowledge gathered in the previous expansions. Having the strategy defined, the next step is to define which entry mode to adopt.

The next step is to define a market entry strategy. According to Keegan (2008), it will depend on the company's vision, attitude towards risk, how much investment capital is available, and how much control is sought. Figure 4 presents the different market entry strategies developed by Keegan (2008).

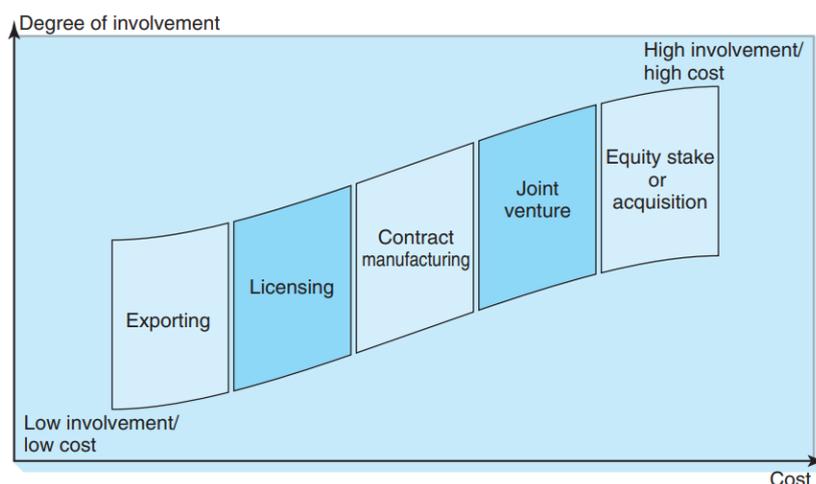


Figure 4 - Market entry strategies

Exporting allows a company to start its activity through exporting its goods or services to the new country. Exporting is the market entry strategy with the lowest degree of involvement and cost. For Picnic, this would not be the most reasonable way to enter in a new country, considering its business model.

At the same time, licensing would have higher costs than exporting, but also higher degree of involvement in the decisions and management. Licensing involves a contractual arrangement whereby a company (the licensor) makes a legally protected asset available to another company (the licensee), in exchange of royalties, license fees, or some other form of compensation. However, licensing can take different forms, such as contract manufacturing, in which a global company is required to provide technical specifications to a subcontractor or local manufacturer who is going to be fully responsible for the manufacturing facilities and processes. Franchising is also another variation of the licensing strategy. It is a contract between a company-franchiser and a franchisee, that allows the franchisee to operate the business of the franchiser in return of a fee and adherence to the franchiser's policies and practices. None of the licensing forms is considered desired at this stage of Picnic's early life cycle stage. These entry market strategies are more adequate for mature companies.

Joint ventures require that in the target country there is a partner to share the ownership of a newly created business entity. This strategy involves risk sharing, limiting financial or political uncertainty risks. It is also a way of learning about a new market environment from the partner's knowledge and experience, and lastly, it allows the partners to achieve synergy by combining different value chain strengths. However, it presents some disadvantages, regarding for example, rewards sharing, potential conflicts between partners, or the fact that it can evolve into a stronger competitor in the future. In order to follow the joint venture strategy, Picnic must find a suitable partner in the new country, and both must agree on the terms and conditions, taking into account all the risks that both companies will face.

Lastly, Keegan (2008) refers that the investment via ownership or equity stake implies that an investment is made, and it will result in either equity stake or full ownership. If the investing company acquires fewer than 50% of the total investment shares, it will be an equity stake. At the same time, the full ownership implies that the investor will have 100% of the control. Both ways require large financial investments to start activity in a new market. After Bill & Melinda Gates Foundation Trust investment for the expansion, this strategy via equity stake would be the most suitable for Picnic's Belgium expansion. Picnic should establish a subsidiary in Belgium.

4 – Develop the communication strategy, identifying specific ways and actions that Picnic can use to achieve customer engagement in the new country.

According to Kotler (2018), the marketing mix is the set of tactical marketing tools – product, price, place and promotion – that the company blends respond to the needs and wants of the target market. Picnic has already proved its business model in terms of product, price and place strategies, which can implement in its Belgium expansion. Picnic must then define the Promotion (or communication) in order to increase and retain the Belgian customer. However, before defining the communication, Picnic must understand the customers’ needs and wants. This process involves market segmentation, market targeting and positioning, or also known, the STP analysis.

Segmentation

The process of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors. This groups can be selected based on geographic, demographic, psychographic, and behavioral factors. Table 6 presents the segmentation criteria.

Table 6 - Segmentation criteria

Geographic	Country: Belgium; Area: urban.
Demographic	Age: 20-55; Marital status: single or married; Gender: all; Education: high school and/or university degree; Occupation: worker.
Psychographic	Lower-middle, middle and middle-upper classes; interested in eco-friendly and sustainable products/concepts; save time and money.
Behavioral	Uses technology; enjoys spending time at home and receiving people; follows a healthy, but agitated lifestyle.

Targeting

Market targeting involves evaluating each market segment's attractiveness and selecting one or more segments to enter. In this case, Picnic's target would be the segment that integrates young-couples (Millennials, in their 30s), with young kids, both workers in a hybrid way of working, at the office but also from home, which chooses sustainable and eco-friendly choices, over other less healthy and good for the environment choices, but at the same time focuses significantly on saving time and money, opting by technological solutions (ecommerce, home delivery, way of transport – as Uber).

Positioning

Lastly, a company should determine how to differentiate its market offering for the targeted segment and what position it wants to occupy in the market. A product's position is the place it occupies relative to competitors' products in consumers' minds. Picnic has already a well-defined position: a completely online groceries delivery company, which is committed to provide quality products, at a lower price, contributing positively for the environment and for customers' well-being. This positioning fits well with Belgium values and culture.

To reach the new Belgium customers and retain them, Picnic should identify the activities and channels to use. For example, Picnic should have a consistent look and feel across all promotional activities: in the app, in the social media platforms, in the outdoors or in the paid advertisement on TV. This look and feel relies on the company's branding and it work as the core identity of the company, this way, it should reflect what Picnic is, what it stands for and what does Picnic want that people recognizes it as.

The next step is to define the promotion mix (or marketing communication mix), which, according to Kotler (2018), includes advertising, public relations, personal selling, sales promotion, and direct marketing.

Advertising corresponds to any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor, and it involves tools as broadcast, print, online, mobile, outdoor, etc. Picnic's communication strategy should firstly rely on online channels (as social media), once the target identified is considerably young and this are the kind of daily tools they often use. In a later stage, broadcast or outdoors in the cities might be also considered. Social media accounts as Instagram, Facebook and Tiktok

should be created and must be directed to the new Belgian customer, not only through the posts' language (Dutch and/or French), as well as to this country's culture, habits, and lifestyles. Another way of spreading Picnic's branding quickly, is to create physical ads in the city buses. In this way, a significant number of people will see Picnic's ad on a daily basis. Getir has been implementing this communication strategy.

Sales promotion represents the short-term incentives to encourage the purchase or sale of a product or service, and it includes discounts, coupons, displays, and product's demonstrations. Picnic should also start providing initial discounts (directly in products or providing a bonus after the first 5 purchases through the app) to start acquiring and retaining Belgian customers. When entering new countries, Getir gave customers a 10€ discount in the first purchase. Picnic can adopt the same sales promotion action, or, for example, add a smaller discount but in the first five purchases, pushing the customer to use the app more than once and in this way activating and retaining the Belgian customer.

Personal selling includes the personal customer interactions by the firm's sales force for the purpose of engaging customers, making sales, and building customer relationships: sales presentations, trade shows and incentive programs. On an early stage, Picnic should focus its investment on the communication strategy on other tools rather than personal selling.

Public relations (PR) are responsible for building good relations with the company's various stakeholders by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events. The main PR tools are press releases, sponsorships, events, and web pages. Events can be extremely important for Picnic's communication strategy when entering the country: selecting strategic events to spread its business model can be one of the most effective tools, specifically on events which Picnic's positioning can be shared. These events can be related with sustainability, start-ups, technology, or even family events with parents and children. One example is the Belgian National Day, on the 21st of July, in which different and big events occur in every city of the country. Picnic could have its vans delivering fresh and sustainable products or give discounts' codes to be used in the app.

Direct and digital marketing includes engaging directly with targeted individual consumers and customer communities to both obtain an immediate response and build

lasting customer relationships. Direct mail, catalogues, online and social media or mobile marketing, are some of this promotional activity forms. For Picnic, this activity is the most important one tool because it reaches its customer target. Picnic should invest on the social media platforms, making sure Picnic's unique value proposition is effectively shared; the website also works as a way for customers to get to know Picnic and its mission, and in this way, it should be aligned with the remaining online channels used, always updated, innovative and with different content from its competitors. The website should be translated for the new country's language, keeping the Dutch and English versions, and creating a French one; lastly, as soon as having more customer data, both direct mail and mobile marketing can be used in order to update customers on the latest promotions, or new products availability.

All these activities and tools must be carefully planned and integrated in Picnic's strategic plans. However, they are a crucial element for any company to engage customers and build profitable customer relationships.

2.7. WHAT HAPPENED IN REALITY

After conducting this business case and identifying the different countries and scenarios, Belgium seemed the best choice for Picnic next expansion. However, this was not what happened in reality.

According to Retail Detail (2021), Picnic officially started its next internationalization around mid-2021, expanding to France. After a test in the Valenciennes region, in the north of France, and under a different name, TocToc, Picnic started a roll-out phase to identify the potential regions and cities in this country. "We have been preparing the launch in France for two years," said the co-founder, Michiel Muller. "Valenciennes is a typical Picnic city: it is home to many families who like to save time by having their groceries delivered at home.". Besides, Michiel Muller also mentioned that the phased roll-out will be done as done for both the Netherlands and Germany: country by country, city by city, as suggested in this business case solution.

CONCLUSION

Having arrived to these results, it is possible to conclude that the ultimate goal of the dissertation was successfully achieved: Picnic have a chosen country for its next internationalization, as well as the strategy and specific actions to implement in this country, in order to be successful.

However, this choice was not the one followed in the real life. And why? There are many reasons that can explain it, for example, suggestions or opinions from the current shareholders that were not taken into account, a new French investor not known of, or even just different scores attributed to each of the steps followed.

Nevertheless, the framework applied can still be useful to determine countries attractiveness and relevant marketing strategies for other industries, businesses and companies, and it is suggested that it can be used by students who intend to develop an academical work related with international expansion and new markets entry, or by professors as an auxiliary material to support courses as the Master of Business Administration (MBA), Master in Management or Master in International Business.

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2.10. EXHIBITS

Exhibit TN1 – GDP per capita

EU-27 countries	GDP per capita	Score
Austria	35 390 €	4
Belgium	33 880 €	4
Bulgaria	6 380 €	1
Croatia	11 720 €	2
Cyprus	23 770 €	4
Czechia	17 340 €	3
Denmark	48 150 €	5
Estonia	15 010 €	3
Finland	36 050 €	4
France	30 610 €	4
Germany	34 310 €	4
Greece	16 170 €	3
Hungary	12 680 €	2

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Ireland	62 980 €	5
Italy	24 900 €	4
Latvia	12 150 €	2
Lithuania	14 030 €	2
Luxembourg	82 250 €	5
Malta	20 410 €	4
Netherlands	40 160 €	5
Poland	12 700 €	2
Portugal	17 070 €	3
Romania	8 830 €	1
Slovakia	15 180 €	3
Slovenia	19 720 €	3
Spain	22 350 €	4
Sweden	42 570 €	5

Exhibit TN2 – Market Size

EU-27 countries	Internet usage 2020	Population 2020	Market size	Score
Austria	86%	8932664	7682091	4
Belgium	90%	11556041	10400437	4
Bulgaria	69%	6916548	4772418	3
Croatia	78%	4036355	3148357	3
Cyprus	91%	854802	777870	2
Czechia	86%	10701777	9203528	4
Denmark	97%	5840045	5664844	4
Estonia	88%	1330068	1170460	3
Finland	95%	5533793	5257103	4
France	77%	67439599	51928491	5
Germany	93%	83055031	77241179	5
Greece	77%	10682547	8225561	4
Hungary	84%	9730772	8173848	4
Ireland	89%	5006907	4456147	3
Italy	73%	59257566	43258023	5
Latvia	87%	1893223	1647104	3
Lithuania	82%	2795680	2292458	3
Luxembourg	96%	634730	609341	2
Malta	86%	516100	443846	1
Netherlands	93%	17475415	16252136	4
Poland	81%	37840001	30650401	5
Portugal	76%	10298252	7826672	4
Romania	76%	19186201	14581513	4
Slovakia	88%	5459781	4804607	3
Slovenia	85%	2108977	1792630	3
Spain	91%	47394223	43128743	5
Sweden	95%	10379295	9860330	4

Exhibit TN3 – Market growth

PICNIC: EXPANDING THE BOUNDARIES OF ONLINE FOOD RETAIL

EU-27 countries	E-GDP GR 2020	Score
Austria	28%	4
Belgium	4%	1
Bulgaria	36%	5
Croatia	36%	5
Cyprus	24%	3
Czechia	28%	4
Denmark	3%	1
Estonia	3%	1
Finland	3%	1
France	4%	1
Germany	4%	1
Greece	24%	3
Hungary	28%	4
Ireland	4%	1
Italy	24%	3
Latvia	3%	1
Lithuania	3%	1
Luxembourg	4%	1
Malta	24%	3
Netherlands	4%	1
Poland	28%	4
Portugal	24%	3
Romania	36%	5
Slovakia	28%	4
Slovenia	28%	4
Spain	24%	3
Sweden	3%	1

Exhibit TN4 – Intensity of competition

EU-27 countries	2021 World Ranking Position	Score
Austria	19	3
Belgium	24	3
Bulgaria	53	1
Croatia	59	1
Cyprus	33	2
Czechia	No Info	-
Denmark	3	5
Estonia	26	2
Finland	11	3
France	29	2
Germany	15	3
Greece	46	1
Hungary	42	1
Ireland	13	3
Italy	41	1
Latvia	38	2
Lithuania	30	2

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Luxembourg	12	3
Malta	No Info	-
Netherlands	4	5
Poland	47	1
Portugal	36	2
Romania	48	1
Slovakia	No Info	-
Slovenia	40	2
Spain	39	2
Sweden	2	1

Exhibit TN5 – Country risk

EU-27 countries	S&P Country Risk	Score
Austria	AA+	5
Belgium	AA	5
Bulgaria	BBB	4
Croatia	BBB-	4
Cyprus	BBB-	4
Czechia	No Info	-
Denmark	AAA	5
Estonia	AA-	5
Finland	AA+	5
France	AA	5
Germany	AAA	5
Greece	BB	3
Hungary	BBB	4
Ireland	AA-	5
Italy	BBB	4
Latvia	A+	5
Lithuania	A+	5
Luxembourg	AAA	5
Malta	A-	5
Netherlands	AAA	5
Poland	A-	5
Portugal	BBB	4
Romania	BBB-	4
Slovakia	A+	5
Slovenia	AA-	5
Spain	A	5
Sweden	AAA	5

Exhibit TN6 – Opportunity to differentiate from products and services

EU-27 countries	Opportunity Index	Ranking	Score
Austria	80.63	20	3
Belgium	85.07	12	3
Bulgaria	70.51	42	1

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Croatia	69.69	45	1
Cyprus	76.84	32	2
Czechia	No Info	-	-
Denmark	88.66	1	5
Estonia	77.21	31	2
Finland	88.15	2	5
France	81.09	18	3
Germany	86.53	6	4
Greece	78.46	26	2
Hungary	70.19	44	1
Ireland	84.70	13	3
Italy	80.30	22	3
Latvia	74.99	33	2
Lithuania	77.30	30	2
Luxembourg	81.13	17	3
Malta	73.43	38	2
Netherlands	85.53	9	4
Poland	74.86	34	2
Portugal	79.57	24	3
Romania	67.54	50	1
Slovakia	72.58	40	2
Slovenia	78.64	25	3
Spain	81.15	16	3
Sweden	87.23	5	5