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OLIVE OIL GOING INTERNATIONAL: A FIELD STUDY ON A SAMPLE OF ITALIAN FAMILY FIRMS

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INTRODUCTION

The phenomenon of globalization has determined the progressive interaction and integration among people, companies and governmental structures of many nations around the world, determining enormous changes in social, political and economic fields. As regards to the latter, the development of transportation facilities, the liberalization of trade between nations and the growing use of the Internet and of e-commerce have led to the disappearance of economic borders between countries and the birth of the expression "global village" ensuring the shortening of spatial and time distances. Businesses have found themselves operating in a completely changed scenario because of which they have had to change their competitive strategies under the new horizons that gradually are emerging. Their focus has seen a gradual expansion moving from the domestic market to the international market: suppliers, consumers, and local competitors have found themselves replaced or joined by those from other parts of the globe leading modern companies to consider internationalization a necessity and no more a strategic choice. The shocking impact that has had such a phenomenon in the economy has forced both large and small-medium size companies to reorganize their objectives and value chains. It is the latter aspect that is examined in this paper.

More precisely, the scope of this paper is to investigate how the internationalization process has involved the Italian agro-food sector; this kind of analysis has been done considering some Italian medium-sized enterprises that operate in the olive oil sector, performing activities for its bottling and sale through large retail distribution.

This work consists of five chapters that, dealing with various issues, help to explain how the gradual expansion in foreign markets involved four olive oil companies transforming them from domestic to international enterprises.

The first chapter begins with a brief overview on the history of the olive tree: from its earliest origins dating back to around 4000 B.C. in Syria up to its spread in the Mediterranean region thanks to the people of the Ancient Romans. The chapter continues by analyzing the phases of the olive oil spinneret, which allows for the processing of the fruit that is obtained from the plant into the finished product: the cultivation of crops, the olives processing processing and finally the packaging and sale steps are described in detail to provide an overview of how such product passes from the plant to the tables of consumers.

The second chapter examines the main rules governing the olive oil sector since Italy has a dominant position in this business. The chapter addresses this issue from an international point of view focusing on the European legislation and World standards that regulate this sector. In both cases the aim of the legislator has been to protect the consumer from possible detriments that cause confusion due to a disrupted market by prices that often do not correspond to the expected quality. Therefore, regulatory fields analyzed in this chapter are the various regulations issued by European (European Parliament and European Commission) and world institutions (IOOC and Codex Alimentarius) regarding the classification of olive oils based on physic-chemical parameters and the obligations in terms of labeling in order to ensure the proper sale to the final consumer.

The third chapter, at this point, analyzes the internationalization process at the theoretical level. More precisely, it begins with a general overview of how this issue has been covered by the various authors of the past, beginning with Adam Smith until most recent theories such as Dunning's, who conceived the note "Eclectic Theory". After this brief review, the chapter addresses the issue of internationalization based on current studies that have placed more and more attention on this phenomenon. This process is examined in detail in all its phases. It analyzes the reasons that lead companies to expand, the criteria for selecting countries to achieve, how to penetrate them, the possible strategies to be adopted and the distribution channels.

The fourth chapter summarizes the key concepts of the Grounded Theory. This theory, initially designed by Barney G. Glaser and Anselm L. Strauss in 1967 and subsequently revised by the same Strauss in collaboration with Juliet Corbin, was chosen as a research method to study the internationalization process that involved the four companies that have collaborated in the realization of this work. The approach proposed by these authors is based on techniques of qualitative research, through inductive and a reiterative process that allows for achieving the development of a theory thanks to the information obtained from the collected data. The dynamic character of this methodology meant that it had been chosen to analyze, in a holistic manner, an evolving process such as that of internationalization.

The fifth and final chapter puts into practice the research method proposed by the Grounded Theory: the international expansion process carried out by the four companies is examined in all its passages by focusing on four main areas of study: the reasons of internationalization, the choice of countries to be achieved, the strategies adopted to gain market share and, finally, the results achieved. This work has allowed the building of a general theory on the subject thanks to the widespread conceptualization and schematization of the data collected through semi-structured interviews with the owners and employees of companies.

CHAPTER 1: OLIVE OIL SPINNERET

The olive tree has been cultivated for approximately 6000 years in the Mediterranean countries where 95% of olive resources are located. The history of the olive tree is tied to that of civilizations that developed over time in this geographic area: originally the olive plant covered an area that extends over Southern Caucasus and Iran, the Syrian coast and Palestine, Cyprus and Crete. The plant was also scattered throughout Egypt and Anatolia and then in Greece by the Phoenicians in the XVI century B.C., the olive plant arrived in several Mediterranean countries including those of northern Africa, Italy, France and Spain. In the VII century B.C. the cultivation of the olive plant had spread in all of the Mediterranean countries thanks to the colonization of Magna Gracie and the Roman Empire. It was the Romans who, in search for a better quality olive oil, brought many changes in the olive growing, the elaboration and conservation of olive oil. The 1400's and the 1800's A.D. are two important periods for the history of the olive. During the Renaissance Italy was the biggest producer of the oil used at the tables of the European Nobility. Oil coming from the Mediterranean basin reached America once the Italian and Greek immigrants began importing it. Around 1560 the first olive groves were planted in Mexico, California, Chile and Argentina. Today olive groves have recently been planted in Australia and South Africa.[1] The majority of olive orchards are cultivated along traditional lines. This type of olive growing has several characteristics, two of the most important are as follows: as a result of the longevity of the olive tree, which can live for centuries, orchards of very differing ages exist alongside each other. For hundreds of years this heterogeneity has not caused any serious drawbacks to cultivation but nowadays the decline of many orchards is due to this. For example, it is impossible for olive orchards that were established in mountain areas during the 19^{th} century to be the basis of olive growing for the global market of the 21th century. Even more, the proverbial adaptation of the olive tree to the Mediterranean climate (characterized by relatively mild winters and hot, dry summers) is the reason why it is basically a dry-farmed crop. In such conditions, considering that the plant needs a type of terrain that guarantees a good drainage, productivity per hectare is limited. For this reason, throughout history, demand for olive oil has been met

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[1] MONINI S.P.A., *"Origine dell'Olio d'Oliva"*, www.monini.com

by gradually occupying new soils. According to recent estimates, there are at this time about 850 million olive plants in the world that extend over 9 million hectares. Around 10 million tons of olives are produced, 90% of which is channeled into oil production while the remaining 10% is for table olives. The olive, or drupe, has an oval shape, a color that varies from green to a purplish-black according to the maturation period and a weighs somewhere between 2 and 12 grams. It is made up of [2]:

- 50% water
- 22% oil
- 19% sugar
- 6% cellulose
- 1.5% protein
- 1.5% ash

The oil contained in the olive is distributed in 70% of the pulp, 24% in the seed and the remaining 6% in the woody part.

The extraction of the oil from the olive is materialized over a long process that is carried out in various stages. This process is what characterizes the olive oil production chain. It has been defined as the sum of all the procedures carried out by the farmers, the warehouses the transformation and the commercialization of the products and of those goods that derive from agriculture. The Italian olive oil production chain can be divided in three fundamental stages: cultivation, harvest and milling, and packaging and sales [3].

2 CAMERA DI COMMERCIO DI FIRENZE, "*Olio di Oliva-Studio di Mercato*", www.fi.camcom.gov.it

3 SERNARI T. (16th May 2016), "*Olio di Oliva*", http://www.ismeamercati.it/olio-oliva

1.1 CULTIVATION OF CROPS

1.1.1 Planting

This first stage includes the choice of the location where the olive plants will be planted. Three important factors are considered:

- The terrain: the olive plant does not require any particular characteristics. It easily tolerates calcareous and saline soil. Good drainage is a must.
- Altitude: the cultivation of olive plants should not occur at altitudes of more than 500 meters above sea level. In subtropical regions cultivations can arrive to 2000 meters.
- Rainfall and sunlight: olive trees can go without water for extensive periods of time and the presence of sunlight extends the vegetative cycle of the plants.

Generally the distance to maintain between one plant and another depends on the environment that the plants find themselves in as well as on the mechanization used; it should not go below three meters. Between one row and another, it is preferable to maintain at least a six-meter distance as to facilitate the work of the machine operators. Once the best points where to plant have been decided, the holes are dug at approximately one meter in both diameter and depth. These will be partially filled with manure or compost and fertilized with potassium before proceeding with planting.

1.1.2 Fertilizing the olive grove

By fertilizing the scope is to obtain a balance between vegetative growth together with a constant production over time. The quantity of the fertilizer to use depends on various factors including the physiological need of the cultivation, the nutritive availability of the terrain and the efficiency of the fertilizer used. The use of fertilizers on the plants reflects the life cycle of the olive trees:

- Fertilization at the base: comes before planting the olive tree and is needed in order to provide those elements that fertilize the apparatus at the root; manure is one of the best slow conveyance fertilizers, otherwise different types of organic fertilizers that have been supplemented with minerals can be used.
- Fertilization by nurturing: used during the first 3-4 years and accelerates the development of the roots by fertilizing with nitrogen.
- Fertilization by production: is used at the moment when the plant finishes its vegetative development by means of dosing those minerals that the olive tree needs.

1.1.3 Pruning the olive tree

The objective of pruning the olive tree is to guarantee a vegetative balance of the plants by verifying the growth of branches and the development of the fruit. A period during which the leaves fall is a possible indication of any imbalance that might necessitate a technical intervention. It was once believed that pruning should take place in order to maximize the leaves, wood and olives, it is now believed that the main objective is oil production. In both cases the interventions that can be done with pruning are:

- Pruning by nurturing: serves to prepare the olive tree for mechanical harvesting.
- Pruning for development: used when a precise form of the tree is desired;
- Pruning for production: used to guarantee the growth of the branches with flowers or fruit. Maintains a certain balance between production and vegetation.
- Pruning to re-structure: used when the form of the tree needs to be changed, for example after a fire or freeze there may be the need for drastic pruning of the plant.
- Rejuvenation pruning: has the scope of rejuvenating the plants and making the older ones productive once again.

It is possible to identify strengths and weaknesses of this first phase of the olive oil spinneret; among strengths we can affirm that Italy has many areas suited to the cultivation of olive trees, for this reason there is a high potential to differentiate the production by variety or by production methods. Furthermore, the great territorial extension of olive trees has important implications in terms of employment and in terms of landscape, environmental, historical, economic and gastronomic value. Finally there is an increasing interest in production focused on olive oil of high quality such as DOP or IGP and an increasing use of Italian know-how abroad (Australia, Argentina etc.).

Among weaknesses, instead, we can include the fragmentation of the production structure. In fact, the majority of companies working in this sector are of small dimension determining a low level of supply concentration. The sector is affected by the general impossibility of lower production costs due to territories' characteristics; there is also a low mechanization of farming operations to increase production levels due to the difficulty in the generation of investment returns; for this reason the olive oil sector is affected by a general delay in application of the results obtained by scientific research. Finally there is a low level of generational change and consequently a progressive loss of skilled labour and a progressive aging of workers.

1.2 TRANSFORMATION

1.2.1 Harvest period

The period chosen for the olive harvest is very important since it has implications in the final quality of the olive oil. The choice of the period depends on several factors such as the cultivar (type of olive), the environment, atmospheric conditions, color of the olive, softness of the pulp, peel strength of the olive and final consumers' preferences.

Generally the perfect period to harvest olives is during the first two weeks of November when their color is between green and brown: this is the best way to maintain antioxidants and organoleptic substances (taste and aroma). Delays in harvesting can generate an increase in acidity.

1.2.2 Harvest methods

There are several ways to harvest olives; the most important are now described:

- Pick-up: it consists in harvesting by hands or by suction machines those olives that have spontaneously fallen from the tree. This method implies an advanced level of maturity and a consequent loss in quality of oil;
- Bracatura: it consists in harvesting the olives by hand from the trees when the perfect maturity stage is reached. It is considered the best method and the most expensive since it requires a large number of workers;
- Bacchiatura: it consists in striking branches with sticks. It is not the best method since it could generate injury to the olives and damage to the branches;
- Pettinatura: olives are removed from trees using particular scallops
- Mechanic harvest: machines shake the trunk; the fallen olives are grouped into nets. This method is used very often due to the high costs of handpicking and due to the labour shortage.

1.2.3 Olive transport and storage

Once the olives have been harvested, they are placed in perforated plastic cases to ensure the passage of air. Milling is recommended within 24-48 hours of collection to obtain a high quality olive oil. It is important that during the storage period the best olives are not mixed with defective olives so that negative phenomenon cannot impact the final quality of the oil.

1.2.4 Peeling and washing

The peeling of the olives consists in the elimination of leaves and branches; however the presence of some leaves does not affect the quality of the oil but rather gives a spicy flavor appreciated by consumers. Washing the olives is necessary to remove the soil. The washing machines used have a high hourly production capacity (around 60 quintals) and low water consumption.

1.2.5 Milling

The purpose of this stage is to break the oil-bearing cells to facilitate the leakage of oil. The result is a paste containing the oily must formed by oil and water. The milling is done in mills that can be divided into two main categories:

- Mills with muller: they represent the most ancient method of milling. The main components are the granite millstone, tub with side openings for the discharge of the dough, granite mullers with cylindrical form, scrapers, headstocks to bring dough under the mullers and tools used to guarantee the movements. This kind of oil mill has a working capacity of approximately 400 kg of olives and 14 rounds per minute. The functions performed by mills with muller include also the malaxation one (that will be described later) taken by them and for this reason the time required must be long enough. Even if this kind of oil mill is extensive and requires a lot of time, it has the advantage of reducing the dangers of metallic pollutants;

- Mills with hammers (fixed or floating): they are quicker than muller mills but through their operation a fraction of the dough is transformed into vapor so that the presence of aspirators is necessary. It is important to have a continuous monitoring of the quality of the dough since organoleptic characteristics can be easily influenced by the milling method adopted; even more, this kind of machine is affected by obsolescence and so a constant maintenance is required.

1.2.6 Olive paste malaxation

As we have just said this kind of procedure is not required for olives previously processed by mills with mullers. Through the malaxation the oil present in the paste is aggregated in larger drops. The machine used in this process is composed by a horizontal tank with a central cochlea that turns slowly (16-36 times per minute) to ensure a natural surfacing of the oil. During this process the temperature cannot be higher than 28°. Since this is the machine in which the olive pasta stays longer, a careful cleaning is required.

1.2.7 Extraction

There are three main methods used to obtain olive oil from olive paste:

- Traditional system (or extraction through pressure): this method requires that the olive paste lies on stacked discs composed of vegetal fibers and are interspersed by metal discs with a perforated pipe in the middle. Once all the olive paste is uniformly posed on the discs, a press from the top makes the oily must spinning from the olive paste. This kind of operation lasts 35 minutes;
- Sinolea system: the principle at the basis of this method is that olive oil adheres to steel blades; blades slowly penetrate into olive paste and exit dragging the oil due to its adhesion. The olive oil is than posed in an external tub. Through this system 80% of the extractable oil is obtained;

- Centrifugation system: it is a recent method based on the principle that different components have different specific weights. The centrifuge machine has a rotating cylinder that through 3000 turns per minute allows the separation paste-must since heavier elements migrate outside and lighter ones remain inside.

1.2.8 Separation

During this phase there is the separation of oil from the vegetation water through vertical centrifuges. The oil is the lightest element of the oil must and is separated thanks to the speed and high reliability of machineries. The rotation speed is around 6000 turns per minute and the capacity is between 10 and 100 hectoliters of must per hour.

1.2.9 Conservation

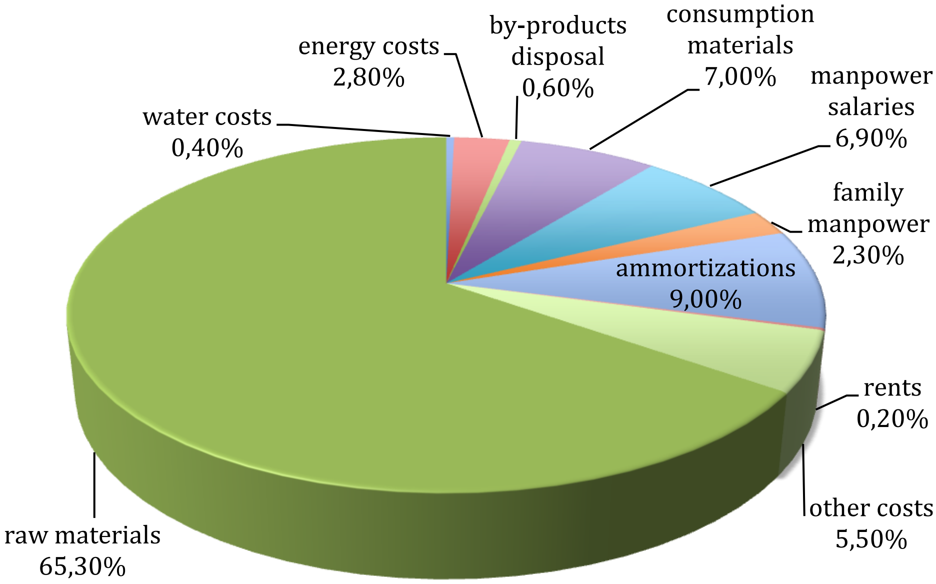
Olive oil is stored in stainless steel containers and must comply with certain requirements: for example, they must not have unpleasant odors, be easily cleaned, must not be transparent and they should have a lid to limit contact with air. Since the oil has the ability to absorb odors it is necessary to avoid musty or rancid smells that would compromise the quality. Light can damage oil; in fact, chlorophyll is an excellent preservative only in dark conditions. Finally, olive oil should be stored at constant temperatures at around 15°; below 4° olive oil freezes and loses its organoleptic characteristics such as flavor and aroma.

1.2.10 Filtration

Filtration takes place before the commercialization and it represents the last step of this section. It serves to remove suspended solids through the use of special filters.

Below are represented the main voices of costs that impact this second phase of the olive oil spinneret. As we can see from the classification below, the highest cost for an oil mill is represented by raw materials.

Fig 1.1 – Main costs of the transformation phase



(Source: personal data elaboration from the website www.ismea.it)

As for the step about cultivation previous analyzed, it is possible to identify strengths and weaknesses for this second phase of the olive oil spinneret. Among strengths there is the presence of industrial districts throughout Italy lending to a high concentration of the product; this is due to the widespread location of the mills in specific areas that guarantees the production of a high quality product thanks to the professionalism of those involved. Even more, the Italian scenario in this context is characterized by a high number of tracked spinnerets (around 400) and 8000 farms involved. Italy's expertise in this sector has led to the emergence of a wide range of products differentiated by type and taste. Unfortunately there are also some weaknesses. The main problem at this stage of the supply chain involves a general delay in investment. Very often this is due to the difficulty in obtaining financing for facilities not connected to farms; as a result the process of technological innovation is slow and compromises efficiency and quality. Furthermore, harvesting and milling olives implies high costs related to labour compensation and bureaucracy and can have an important impact on small mills. Finally, the role of producer organizations in product enhancement is almost non-existant because of little bargaining power.

1.3 PACKAGING AND SALE

1.3.1 Olive oil analysis

The analysis of the olive oil are done for two main reasons: first of all they are needed to guarantee to consumers the quality of the products and to see if during the spinneret possible errors have altered the parameters established by legislation; secondly they serve to avoid commercial fraud due to the merge of oils with different characteristics. For example, to test the quality of the product, can be identified four different kinds of analysis:

- Acidity: expressed as a percentage in grams of free oleic acid in the olive oil;
- Number of peroxides: through this kind of analysis the oil shelf is monitored, a high number of peroxides means a bad condition of conservation; the lower the number of peroxides the crisper the product;
- Panel test: is represented by a team of nine trained and skilled people tasting the olive oils with the task to classify (Extra Virgin olive oil, virgin olive oil and lamp oil), evaluate and certify the organoleptic characteristics (presence and intensity of defects, presence and intensity of strengths and weaknesses): flavor and smell. The color of the olive oil is not a sign of quality, but it can affect the opinion of tasters. In fact, the color range that could have the extra virgin oil just milled can vary between deep green to light yellow. This latter color can also be achieved by old olive oil (that originally have been deeply green) due to the degradation of its color pigments (chlorophylls and phaeophytins). To prevent the tasters are conditioned by the color of the product, during the panel session oils are coded anonymously and presented in blue glass glasses.
- UV spectrophotometric exam: It is used to assess the state of oxidation of the product that could generate rancidity; this analysis gives to contribute to identify if the oil has been refined or partially mixed with refined oil.

Finally, to ensure the genuinely of the olive oil it is generally subject to the Fatty Acid Methyl Esters analysis. It serves to identify mixtures of olive oil with seed oils.

1.3.2 Packaging

The choice of the packaging takes into account various aspects: the most important thing to remember is that the package must protect the oil from its main enemies or the air and light; the choice must also evaluate the effectiveness, ease of transport, safety and convenience of use. For retailing, bottles made of glass are generally preferred since they allow the maintenance of the quality of the oil (through glass the light is filtered). It is preferable a screw cap with drip under cap.

1.3.3 Olive oil market

The olive oil market can be described as fragmented and heterogeneous. The existence of several types of oils that are offered to final consumers is one of the main reasons, but not the only one. In fact it is important to consider also two other aspects: first of all the olive oil supplied in the market may be either from internal production or from foreign countries; secondly, the olive oil offered may have been subject to refining or a mixing process by refining companies in the first case, and by bottling companies in the second case. Having said that, it is clear that the distribution channels can be summarized as follows:

- Producer-consumer;
- Producer-transformer-consumer;
- Producer-bottler-consumer.

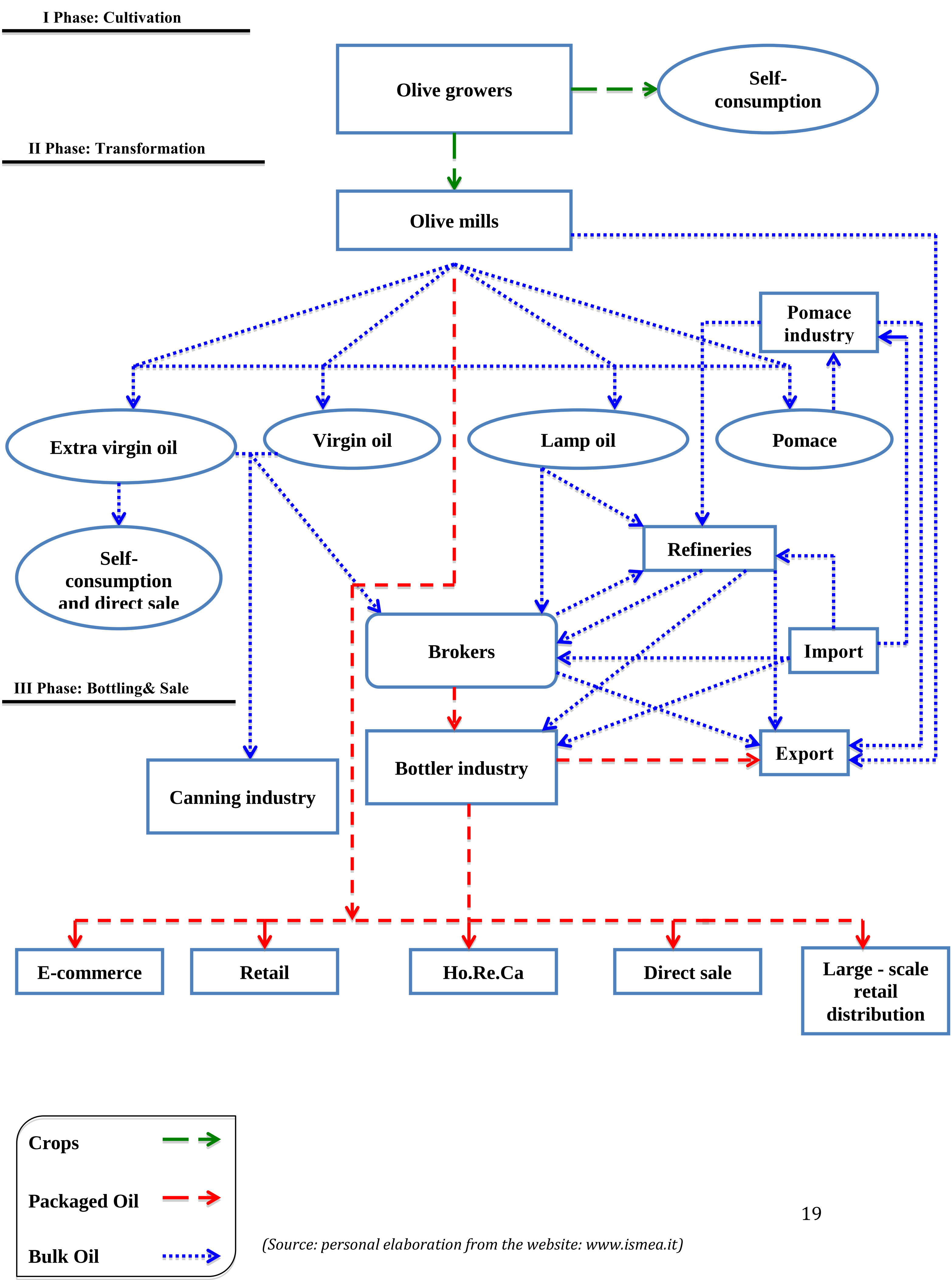
In this scenario a commercial dualism takes shape: it is characterized on one side by industrial enterprises of bottling and on the other by small and medium-sized production and refining enterprises, which, in addition to being suppliers of the raw material to the bottlers, they are also competitors of the same products in their product category. The result is the coexistence in the same competitive arena of segments and products with a high differential in terms of sensory and price and that the consumer finds it hard to understand as he becomes disoriented. In a highly competitive environment such as this, companies seek to gain a competitive advantage through the reduction of costs and thus offering a low-price product, or through the differentiation of their olive oil. In both cases the aim is to maximize the value perceived by customers. Since the perceived value can be expressed as a fraction of the expected costs and benefits for the consumer, for a cost leadership strategy the denominator must be reduced while for a differentiation strategy the numerator should be maximized enhancing the benefits perceived by final consumers who will be ready to pay a premium price compared to competitors' products. However, in both cases the aim is to reduce costs and increase the quality even if strategic differences remain. To increase the perceived quality means putting the consumer at the base of business decisions, a process known as "customer-based view": it assumes, therefore, that the value of the enterprise is a function of the value of its customers, the company's key asset is its final consumers. Companies acting in this context seek to improve customer satisfaction as well as to make their oil the preferred one. More precisely, the reasons of consumer preference towards specific oil are driven by perceptions of differential advantages of an enterprise product over those of competitors. The reasons for preference stem from the marketing mix of the product:

- Benefits and organoleptic characteristics offered (product): nutritional characteristics such as the presence of vitamins and fats, sensory characteristics such as taste, aroma and color, safety features such as the absence of toxins and pesticides, packaging, psycho-social characteristics as the role of social distinction and environmental impact of processes.
- Knowledge of benefits (promotion): the effectiveness of a communication strategy depends not only on the channel used but also on the harmony and balance of information issued by the company. An efficient communication, in fact, should avoid an excessive amount of information as this disorients the consumer: the latter would result confusing having to explore many variables such as price range, label information and sensory characteristics.
- Physical availability of the product (placement): a continuous cooperation with the distribution company is necessary to avoid loss in contact with the final consumer due to uncontrolled discount policies and shelf positioning which are both relevant for the product's reputation.

- Pricing: generally the price is the main indicator of the value of a product, in fact in the minds of final consumers there is a direct relationship: the higher the price the higher the quality perceived.

Below is reported a graphical representation of the major actors operating along the supply chain. As already described, this is based on three main levels: the first level are the producers of the raw material, at the second level we have mills that are assigned to the first transformation and, at the end, we find bottlers, storage companies, refineries for lower quality oils and than we arrive to the domestic and foreign distribution.

Fig. 1.2 – Actors of the olive oil spinneret



(Source: personal elaboration from the website: www.ismea.it)

CHAPTER 2: OLIVE OIL LEGISLATION

2.1 EUROPEAN LANDSCAPE

The policy of the European community concerning olive oil has undergone many changes over time. The importance of olive growing in many member states and the EU dominant position on the world oil market, means that more and more attention has been gradually paid to improve the quality of the olive oil supplied and on protecting the consumer. The reasons are mainly four [4]:

- Olive oil is a product that has recently experienced a growing interest by many countries such as the US, Canada, Russia, Japan, and Australia. In this scenario, the European Union plays a key role as first producer and exporter of the product;
- The olive oil market needs a quality protection policy to prevent abuses to the detriment of consumers. This type of market failure can arise due to the high number of differences in quality and pricing between the various business categories;
- As a result of the globalization of markets, the quality of goods is an increasingly strategic factor for agricultural economies of developed countries;
- Finally, a quality assurance policy is needed for a product such as olive oil as the important health benefits that it embodies are recognized not only by the science or by consumers, but also by the European Food Safety Authority (EFSA). The latter is a European agency established in 2002 that operates in complete independence by the European Parliament, the European Commission and by the member states. It works as a source of scientific advice and communication on risks affecting the food chain. Thanks to its scientific output, it provides the foundation of the European legislation in the food industry and provides consumers a guarantee of protection and information on the risks associated with the food chain.

[4] MARCHINI A. (2012), *"Il marketing degli oli di oliva di qualità",* Accademia Nazionale dell'Olivo e dell'Olio, Volume XXIX

Community-wide attention for the quality has never assumed great importance until the 21st century. The turning point began in this period: first of all the Community aim was to enhance the image of the olive oil promoting it as a healthy food and, secondly, to protect consumers when choosing between different business categories. This was necessary because of a disrupted market by prices that often did not correspond to the expected quality and thus confused consumers. In this regard, the characteristics according to which olive oil can be defined as quality were identified during the Commission's report to the Council and to the European Parliament about the Olive Oil Quality Strategy, held on December 21, 2000. It was therefore determined that quality olive oil should [5]:

- Not have contaminants and defects;
- Have organoleptic characteristics;
- Have nutritional benefits; in fact the presence of monounsaturated fatty acids (MUFA) such as oleic acid and antioxidants differentiate virgin olive oils from seed oils. Not surprisingly, in confirmation of this, the EFSA Journal (online scientific journal in which EFSA publishes scientific output on food security), has given the following claim to the oleic acid “The substitution of saturated fats with unsaturated fats in the diet contributes to the maintenance of normal levels of blood cholesterol” (EFSA Journal, 2011; 9 (4): 2043). Between antioxidants, the olive oil polyphenols have the following claim: "The polyphenols of olive oil contribute to the protection of blood lipids from oxidative stress" (EFSA Journal, 2011; 9 (4): 2033);
- Maintain both organoleptic and nutritional characteristics; their persistence is an indicator of added value and quality;
- Be connected to the culinary and landscaping imagery typical of the Mediterranean countries.

In the pursuit of quality and consumer protection, the European Commission uses multiple Community regulations; to date the most important are three: the Reg. CEE 1308/2013 which counts and classifies the commercial categories of olive oils; Reg. CEE 2568/91 concerning the methods of analysis to which each category must be

5 EUROPEAN COMMISSION, Report for the European Council and for the European Parliament, 21st December 2000

submitted; Reg. CEE 29/2012 concerning rules in the field of labeling and commercial trade. In addition, Reg. CEE 510/2006 of the European Community concerning the production of DOP and IGP olive oils will be analyzed.

2.1.1 Reg. CEE 1308/2013

The European Regulation 1308/2013 of the European Parliament and of the Council of December 17, 2013 establishes a common organization of the markets in agricultural products and repeals Regulations CEE 922/72, CEE 234/79, CEE 1037/2001 and CEE 1234/2007. In part VIII the "designations and definitions of olive oils and olive-pomace oil" is reported. The use of the definitions of olive oils and olive-pomace oils that we find in this part is required for trading those products in the EU and with third countries, provided they are compatible with international standards bodies.
The current definitions of the various olive oils are the result of a review process carried out by the European Commission to: develop a limited number of understandable and mandatory categories so that both the consumer and the activities of analysis thereby result facilitated and secondly, to highlight the differences between different kinds of olive oils. According to this regulation, there are 6 different types of oil [6]:

1) Virgin olive oil: obtained solely by mechanical processing of the fruit or by other physical processes. This allows obtaining an unaltered product since the olives have not undergone any treatment other than washing, decantation, centrifugation and filtration. Within this category there are three subgroups of oils that are distinguished by acidity:

a. *Extra virgin olive oil:* has a degree of acidity below 0,8%;
b. *Virgin olive oil:* has a degree of acidity below 2%;
c. *Lamp olive oil:* has a degree of acidity higher than 2% and it can become edible only after a refining process. Due to its low quality organoleptic characteristics, in the past it was used to feed oil lamps, as the name indicates.

[6] EUROPEAN PARLIAMENT and EUROPEAN COUNCIL, Reg (CE). n° 1308/2013, 17th December 2013

2) Refined olive oil: the acidity of this oil is not less than 3% and it is obtained from oils with a rather high level of acidity or with severe organoleptic defects that are subjected to a refining process (deodorization, deacidification and bleaching) through which acidity, organoleptic defects and oxidized substances are eliminated. The refined olive oil obtained is odorless, without antioxidant but still beneficial due to the presence of the unchanged acid profile and it has a very pale straw color, similar to the color of common seed oils. It may be sold only in bulk.

3) Olive oil composed by refined oils and virgin olive oils: this type of oil has a free acidity of not more than 1%. It is a mixture of refined oils with virgin or extra virgin olive oils. It is recommended for frying alternatively with seed oils, or for cooking.

4) Crude olive-pomace oil: an olive oil that is obtained from the pomace of olives, that is, the waste substance derived after the extracting process of the olives. In this product, in fact, there is a small portion of olive oil that can be extracted through the use of a solvent: pomace is sent to pomace industry and processed into a shriveled state; then, the dried substance is mixed with a solvent (the hexane) in which all the oil dissolves. At this point the solid part is separated from the solvent that now contains oil and gets the name of "esanolio". The solvent is removed by distillation and the residual oil is the crude olive-pomace oil. This oil, finally, is made edible through a refining process from which the refined olive-pomace oil is obtained. The extraction of oil from the pomace can also be made using other physical processes.

5) Refined olive-pomace oil: it is obtained by refining crude olive-pomace oil reaching a maximum degree of 0.3% acidity. Being a refined olive oil, it may be sold only in bulk.

6) Pomace olive oil: it is obtained from the blend of refined-olive pomace oil with virgin olive oil with a free acidity of not more than 1%.

2.1.2 Reg. CEE 2568/1991

This Regulation establishes the quality and purity characteristics that each category of olive oil and olive-pomace oil must meet at community level [7]. It also defines the methods of analysis applicable to all the community countries and lays down the limit values of analytical parameters that identify the olive oil as well as its product categories while defining the physical-chemical and organoleptic characteristics of the latter. Thanks to this regulation, a "Panel Test" is applied to define and classify the category of membership of a food product. This regulation certainly represents a milestone placed by the European Community for the protection of the quality of olive oils and for the containment of any possible fraudulent activity.

Several analytical methods have been modified or replaced over the years, and new methods of analysis have been introduced. The numerous changes to which the regulation has been subject, in fact, allowed to update over time the analytical methods based on advances in scientific knowledge and development of new instruments.

2.1.3 Reg. CEE 29/2012

Pursuing its strategy of quality and consumer protection, the European Community has also established specific rules for commercial trading and labeling olive oils. With regard to rules governing the label, the regulation under analysis (29/2012) provides a clear representation of the current legislation on this issue and articles 3,4 and 5 are, perhaps, the highlights. Article 3 makes it mandatory to write on the label in clear and indelible characters, the specific information regarding the categories of oil that are listed below [8]:

- For extra virgin olive oil: “Superior category olive oil obtained directly from olives and solely by mechanical means”;
- For virgin olive oil: “Olive oil obtained directly from olives and solely by mechanical means”;

[7] EUROPEAN COMMISSION, Reg. (CE) n° 2568/1991, 11st June 1991

[8] EUROPEAN COMMISSION, Reg. (CE) n° 29/2012, 13rd Genuary 2012

- For olive oil composed by refined oils and virgin olive oils: “Oil comprising exclusively olive oils that have undergone refining process and oils obtained directly from olives”;
- For pomace olive oil: “Oil comprising exclusively oils obtained by treating the product obtained after the extraction of olive oil and oils obtained directly from olives” or “Oil comprising exclusively oils obtained by processing olive pomace and oils obtained directly from olives”.

In accordance with article 4, for extra virgin or virgin olive oil it is mandatory to indicate on the label its geographic origin: if it is a member state (i.e. 100% Italian, Greek, etc.), the European Community or a third country (i.e. 100% Tunisia). The designation of origin must relate to the geographical area in which the olives were harvested and where the oil was extracted. However, if the first location does not correspond to the mill’s area, this information must be indicated too. Therefore, considering the various options, the label indicates the geographical origin in one of the following ways:

- *If the place of origin and processing of olives coincide:* "(extra) virgin olive oil produced in the European Community (or in the member State X or in the third Country Y)". Without further specification, the place of production of the olives and the olive mill are intended as coincident;
- *In the case of a different origin of the raw materials and the place of their transformation:* "(extra) virgin olive oil produced in the European Community (or in the member State X or in the third Country Y) from olives harvested (in the European Community, in the member State X or in the third Country Y)";
- *In the case of mixtures of olive oils from the European Community:* "Community blend of (extra) virgin olive oils ";
- *In the case of mixtures of non-Community oil:* "blend of non-Community olive oils";
- *In the case of mixtures of Community and non-Community oil:* "blend of Community and non-Community olive oils".

The indication of the country of origin has always had an important role in the enhancement of the agro-food production. Europe, in the past, has always considered the geographical origin as a contrast element to the principle of the single market. Only recently the legislation has made progress considering the geographical indication of origin as an element to protect consumers such as when it influences the quality, the taste and the price of the olive oil.

Turning to Article 5 of the same regulation, it sets the disclosure of some optional information to be affixed on the label. For optional indications, such as "first cold pressed" or "cold extraction", or about the acidity and organoleptic characteristics, the operator must be able to demonstrate that the content of the packaging corresponds to what is declared on the label with documentary evidence, results of analysis or with accounting and administrative information. Even more the following roles must be respected:

- The information "first cold pressed" refers only to virgin and extra virgin olive oils obtained at a temperature below 27° through an initial mechanical pressing of the olive paste;
- The information "cold extraction" refers only to virgin and extra virgin olive oils obtained at a temperature below 27° through centrifugation or percolation of olive oil paste;
- Information regarding organoleptic properties: may appear only if they refer to virgin or extra virgin olive oils. The positive attributes such as "light", "medium", and “severe" are eligible only if based on the results of an objective evaluation made through a Panel Test;
- Information about acidity: the acidity or maximum acidity level may appear only if it is accompanied, in the same font size and in the same visual field, by the index of peroxides, waxes, and ultraviolet absorption.

What have just been discussed are definitely the most important points of the provision in question. However, it is necessary not to neglect other aspects passed under review by the European legislator and that are included in this regulation. The latter regulated elements concern packaging standards, blends of olive oils and vegetable oils and the use of oil as a condiment. As regards the blend of olive oils and vegetable oils, the designation on the label must be the following "blend of vegetable oils (or the specific name) and olive oil" followed by the percentage of olive oil. This percentage can be expressed in graphic symbols only if greater than 50%. European states may, in their territory, forbid the production of such blends for domestic consumption. They cannot, however, prohibit the marketing of these mixtures from other countries or prohibit the production in the territory and subsequent marketing in another EU state.

For what concerns the use of olive oil as condiment, legislation has established that foodstuffs containing olive oil must show the percentage of olive oil in relation to the net weight of the product or the fat content on the label in order to avoid any misuse of olive oil's positive imagine.

Finally, as regards packaging, those admitted to sale must have a capacity not greater than 5 liters and must have a hermetic closing system spout to preserve the organoleptic characteristics. The aim of this is to discourage the trade in bulk and in recycled containers. The purpose of the legislation was to prevent any commercialization that might lead to fraud or alterations of the product with losses of purity and damage to the consumer. For olive oil intended for restaurants, canteens and hospitals though, the maximum capacity of packaging may exceed 5 liters.

2.1.4 Reg. CEE 510/2006 for the certified production of DOP and IGP olive oil

The market for olive oil, today, is characterized by a broad product diversification and thus offers the consumer a wide possibility of choice. In the sector under study there are, in addition to the above-listed types, categories of olive oils that enjoy special advantages due to their peculiar geographical origin; thanks to the latter, in fact, they assume distinctive chemical and organoleptic characteristics. The European Community, in order to valorize the product and prevent commercial fraud, increasingly frequent in the agricultural sector, has regulated the production of DOP and IGP products too. With this regulation, the European Community intended to protect the quality of these olive oils intended as typical. Their taste and unique aroma depend on the variety of olives used, the climate, the land and traditions. For example DOP oils are of a very high quality from a chemical and sensory point of view given the production rules prescribed. In fact, it is necessary that the olive trees are of good quality and in a good state of health; the olives are collected directly from trees at an early stage. It is also required to keep the olives in small containers that allow air to pass, that the phase of pressing takes place within 24 hours of harvest and that during the grinding temperatures do not exceeded 27 °.

DOP refers to "the name of a region, a specific place or, in exceptional cases, a country used to describe an agricultural product or foodstuff originating in that region, specific place or country, whose quality or characteristics of which are essentially or exclusively due to a particular geographical environment with its natural and human factors, and whose production, processing and preparation take place in the defined geographical area" (definition provided by Reg. 510/2006).

According to the definition, the product must entirely originate in one geographical area, from the raw material (olives) to the finished product (oil). The geographical environment plays an important role not only for climatic or territorial factors, but also for human and cultural aspects that make the product unique. Certification bodies are guarantors of the brand and are responsible for checking that the disciplinary and Community regulations are respected by the entities that associate themselves with the brand.

The initials IGP (Indicazione Geografica Protetta) means "the name of a region, a specific place or, in exceptional cases, a country used to describe an agricultural product or a foodstuff originating in that region, specific place or country, and which possesses a specific quality, reputation or other characteristics attributable to that geographical origin and whose production and / or processing and / or preparation take place in the defined geographical area" (definition provided by Reg. 510/2006).

The difference between DOP (Denominazione di Origine Protetta) and IGP is in the second part of the definition: in the case of a IGP brand product, in fact, it is sufficient that only one phase of the production process takes place in the geographical area in question.[9] However, even the IGP products are subject to specific European disciplinary regulations and are controlled by the supervision of independent organisms. In terms of labeling, considering their specific nature, additional and complementary provisions should be adopted by producers for agricultural products and foodstuffs from a specific geographical area requiring to use appropriate indications and symbols; a substantial difference compared to the rules analyzed for "conventional" olive oils, is the obligation to affix the Community logos for DOP and IGP products starting from May 1,2009.

[9] EUROPEAN COUNCIL, Reg. (CE) n° 510/2009, 20th March 2009

The European Legislator has engaged in the promotion of products having certain characteristics since it can be beneficial to the rural economy, particularly in disadvantaged or remote areas, both by improving the incomes of farmers and by the effect of maintaining the rural population in such areas. Even more, both brands are an important competitive factor as they give consumers certainty of the quality offered, an element that, especially in the food sector, often guides the choices of the final consumers.

Italy, which bases exports on its qualitative excellence (it is estimated that with regard to the DOP and IGP olive oils 55% of the output is exported with a monetary value of 40 million euro), is the country that has received the highest number of certifications in the European Community [10].

[10] PAMPANINI R. (2012), *"La politica della qualità per gli oli di oliva*, Accademia Nazionale dell'Olivo e dell'Olio, Volume XXVIII

2.2 WORLD LANDSCAPE

Outside the European community there is an international organization that works to define technical and commercial standards regarding all categories of olive oils. That body is called International Olive Oil Council (IOOC). Born in Madrid in 1959, it has the role to standardize the various classes and the various characteristics of olive oils in all areas of the world where olive oil is produced and commercialized. Other important roles played by the IOOC are to promote the consumption of this product through innovative campaigns, provide useful information about the olive oil market and encourage international cooperation in research and development for this sector [11]. The European Union, and many other countries such as Argentina, Tunisia, Turkey, Chile etc. adhere to the IOOC, and all that is issued in terms of technical (analytical methods and limits for different categories) and commercial regulation is automatically applied by member states. To now are not part of this organization many large countries such as the US and Australia. All countries that do not adhere to the IOOC rely, for what concerns olive oils and other foods, to the technical and commercial standards dictated by the Codex Alimentarius, which is the world organization that, linked to the WTO, legislates on all food globally. Born in 1963, Codex Alimentarius *"is about safe, good food for everyone – everywhere"(www.fao.org)* and contributes to supply international standards and guidelines to promote quality, safety and fairness of the international trade of food [12]. For these reasons, consumers and importers can fully trust the quality and safety of what they ordered since the protection of their health is the main objective pursued by the organization. The following paragraphs will report a brief overview about the rules enacted by the IOOC and the Codex Alimentarius for what concerns the olive oil trade and labeling so as to provide a comparison with what has already been analyzed for the European context.

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[11] IOOC, *Mission Statement*, www.internationaloliveoil.org

[12] CODEX ALIMENTARIUS, *About Codex*, http://www.fao.org

2.2.1 Codex Stan 33-1981

Among the many aspects covered by this standard, one of the most relevant concerns the classification of olive oils and olive-pomace oils. Similar to Reg. CEE 1308/2012, in fact, even here the categories of oil are identified and described, albeit with some differences; there are seven categories and they are identified as follows[13]:

1) Extra virgin olive oil: virgin olive oil with a free acidity, expressed as percentage of oleic acid not higher than 0,8% grams per 100 grams and it has other characteristics prescribed for this category.

2) Virgin olive oil: a virgin olive oil that has a free acidity, expressed as percentage of oleic acid, not higher than 2% and it has other characteristics prescribed for this category.

3) Ordinary virgin olive oil: a virgin olive with a free acidity, expressed as percentage of oleic acid, not higher than 3.3% and it has other characteristics prescribed for this category.

4) Refined olive oil: it has a free acidity, expressed as percentage oleic acid, not higher than 3%; this kind of olive oil is obtained by a refining process of the virgin olive oil which does not modify in the initial glycerides' structure. It has other characteristics that must correspond to those prescribed for this category.

5) Olive oil: a blend of virgin olive and refined olive oil suitable for human consumption. It has a free acidity, expressed as a percentage of oleic acid, that is not higher than 1% and other characteristics that correspond to those prescribed for this category.

6) Refined olive-pomace oil: has a free acidity, expressed as percentage of oleic acid, not higher than 0,3%. It is obtained from crude olive-pomace oil through a refining process that does not modify the initial glycerides' structure. Its other characteristics correspond to those prescribed for this category.

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13 CODEX ALIMENTARIUS, Standard n° 33-1981

7) Olive-pomace oil: is a blend of virgin olive oils and refined olive-pomace oil with a free acidity, expressed as percentage of oleic acid, not higher than 1%. It has other characteristics prescribed for this category.

2.2.2 Codex Stan 1-1985 (Rev. 1-1991)

This standard prescribes certain obligations to be respected in the implementation of the labels of all prepackaged foods that are offered to both the consumer and the Ho.Re.Ca sector. So, like Reg. Cee 29/2012 that regulates EU countries in terms of labeling, also abroad, roles in terms of labeling must obligatorily be respected. According to the general principle of this standard "Prepackaged food shall not be described or presented on any label or in any labeling in a manner that is false, misleading or deceptive or is likely to create an erroneous impression regarding its character in any respect" and "Prepackaged food shall not be described or presented on any label or in any labeling by words, pictorial or other devices which refer to or are suggestive either directly or indirectly, of any other product with which such food might be confused, or in such a manner as to lead the purchaser or consumer to suppose that the food is connected with such other product". The following will show the main requirements to be met in this regard[14]:

- *The name of the food*: it should indicate the nature of the food; it must be specific and not generic;

- *List of ingredients:* the label must declare the list of all ingredients and it must have an appropriate title that includes the term "ingredient". Moreover, the ingredients must be listed in decreasing order in terms of ingoing weights at the moment of the food's manufacture;

- *Net contents and drained weight:* the net contents shall be written in the following manner: for liquid foods, by volume; for solid foods, by weight and for semi-solid or viscous foods, either by weight or volume;

[14] CODEX ALIMENTARIUS, Standard n° 1-1991

- *Name and address:* “the name and address of the manufacturer, packer, distributor, importer, exporter or vendor of the food shall be declared”;

- *Country of origin:* when a food is subject to a process that changes its nature in a second country, the country in which the processing is made must be considered to be the country of origin for the purposes of labeling;

- *Lot identification;*

- *Date marking and storage instruction:* the date of minimum durability shall be declared;

- *Instruction for use:* to ensure the correct utilization of the food.

2.2.3 COOI 15/nc N°3

This Regulation provided by the COOI incorporates the rules on the classification of the oils and the obligations in terms of the labeling. With regard to the first aspect, namely the classification of this product, the Regulation identifies two broad categories: olive oil and olive-pomace oil [15].

1) Olive oil: this category is divided into three subcategories: virgin olive oil, refined olive oil and olive oil.

1. *Virgin olive oil:* “are the oils obtained from the fruit of the olive tree solely by mechanical or other physical means under conditions, particularly thermal conditions, that do not lead to alterations in the oil, and which have not undergone any treatment other than washing, decantation, centrifugation and filtration”. This subcategory then, is divided into:

[15] IOOC, November 2012, Standard 15/nc N°3

I. Virgin olive oils fit for consumption:

- Extra virgin olive oil

- Virgin olive oil

- Ordinary virgin olive oil

II. Virgin olive oil not fit for consumption:

- Lamp virgin olive oil

2. *Refined olive oil:* “is the olive oil obtained from virgin olive oils by refining methods which do not lead to alterations in the initial glycerides’ structure. It has a free acidity, expressed as oleic acid, of not more than 0.3 grams per 100 grams and its other characteristics correspond to those fixed for this category”.

3. *Olive oil:* “is the oil consisting of a blend of refined olive oil and virgin olive oils fit for consumption as they are. It has a free acidity, expressed as oleic acid, of not more than 1 gram per 100 grams and its other characteristics correspond to those fixed for this category in this standard”.

2) Olive-pomace oil: this category is divided into three subcategories: crude-pomace olive oil, refined olive-pomace oil and olive pomace oil.

In addition to the rules fixed by the Regulation 1-1985 of Codex Alimentarius analyzed before, COOI provides labeling rules too; following is a part of those obligations with regard to containers suited for direct sale to consumers:

- Name of the product;

- Designations of olive oils:

I- Extra virgin olive oil

II- Virgin olive oil;

III- Ordinary virgin olive oil;

IV- Refined olive oil;

V- Olive oil;

- Designation of Olive-pomace oil:

I- Refined olive-pomace oil;

II- Olive-pomace oil

- Net contents
- The name and address of the manufacturer, packer, distributor, importer, exporter or seller;
- Country of origin;
- Date marking and storage condition;
- Storage condition and instruction;
- Date of minimum durability.

Since olive oil is a quality product par excellence, the implementation of a quality strategy can not be pursued only through the legislation analyzed in this chapter; in fact, the active participation of all actors of the spinneret is necessary: producers, millers, processors and those responsible for the sale. For this reason, since 1987, the agricultural policy of the European Community has assigned an important role to the organizations of olive oil producers by ensuring funding for the realization of various activities; among them is market surveillance by collecting industry data, improving the environmental impact of olive groves through maintenance activities of those with high environmental value at risk of abandonment and, finally, activities aimed at improving the conditions of collection, handling, processing and storage of the olives.

CHAPTER 3: HOW FIRMS BECOME INTERNATIONAL

Internationalization can be defined as *"direct policy to ensure systematically outlets abroad for productions at home or directly in foreign countries"* (Sergio Sciarelli). In this chapter will be discussed at theoretical level the process of international expansion that has involved a growing number of companies over the last few years. In the previous chapter, the stages of the olive oil spinneret were analyzed. These stages allow for the transformation of the raw material (olives) into olive oil and thus, once bottled, to reach the tables of Italian and foreign consumers. It is this latter aspect, the projection of business activities across national borders, which these pages will briefly describe. After a general overview of the economic literature in the field of internationalization, this process will be analyzed in terms of how current studies deal with this issue and how they explain the strategic and organizational decisions that companies face every time they decide to expand into markets across borders.

3.1 LITERATURE OVERVIEW

The origins of internationalization are distant and commercial trade had extended beyond national boundaries even before the industrial revolution. This phenomenon that affects politics, society, culture and economics, in terms of economic transactions means addressing an issue that is at once both ancient and current: ancient because through the launch of these processes, initially in freighter form, the current capitalist economic systems have taken form; modern because it allowed the catalyzation of the process of social integration fuelling the phenomenon of globalization[16].

Economic literature has begun to deal with this theme for a long time and scholarly attention has focused on this issue especially in recent years: while the first theories were centered on the analysis of trade flows taking place between nations, the more recent studies have moved on towards the analysis of the behavior of individual firms passing from a macroeconomic to a microeconomic perspective of the phenomenon. The chapter begins with a review of the main theories that in the past have dealt with the issue of international trade and have occurred over time. The literary elements that are treated are the theory of Smith and Ricardo of the Classical School, the oligopolistic theories of Hymer and Vernon, the theory of transaction costs proposed by Coase and, finally, the eclectic theory proposed by Dunning who seeks to exceed the limits of the previous ones. After this first part, the chapter considers how this topic is addressed by current studies.

3.1.1 The macroeconomic approach of Adam Smith and David Ricardo

As already mentioned the first studies on internationalization, from the middle of the last century, focused on the analysis of the reasons that enlivened capital and goods between nations. With regard to the first aspect, the international capital transactions, the existence of different interest rates between nations determined the main reason: the industrialized countries would have directed their investments in developing countries where the lack of capital guaranteed high returns over the long term by reversing the

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[16] NANUT V, TRACOGNA A. (2003), *"Processi di internazionalizzazione delle imprese: vecchi e nuovi paradigmi"*, Sinergie Journal n°60

difference between interest rates and reporting, therefore, the balance of payments in equilibrium.

The second aspect, namely the causes that determined the international flows of goods, has been widely studied by Adam Smith and David Ricardo, both pivotal figures of the Classical School. Adam Smith bases his theory of international trade on the concept of absolute advantage addressing this last concept in his book "*An inquiry into the nature and causes of the wealth of nations*" wrote in 1976. He affirms that it is advantageous for a nation to export products whose production cost is lower than those claimed by other nations and, at the same time, import those goods that the country is not able to produce efficiently [17]. David Ricardo's theory, however, revolves around the concept of relative comparative advantage; more precisely in this case only two nations are compared. In his theorizing Ricardo says that if there exists a differential in production costs between the two nations (due to the possession of a certain factor of production or production specifications), it is good for a country to specialize in the production of those goods that allow it to support a relatively minor cost of production (compared to that incurred by the nation with which the comparison is made). Consequently, those goods whose domestic production is not convenient will be imported.

Even if these theories of macroeconomic approach constituted an excellent tool for understanding the evolution of trade flows between nations, in time scholars have shifted their object of inquiry by focusing on the analysis of the behaviors of individual firms through micro level survey.

3.1.2 Hymer and the theory of market imperfections

Through the Hymer's theory, dating back to 1960, a break with the past is taken and the studies are focused on the analysis of the behavior of individual firms in their international strategic choices. The reason that prompted the Canadian economist to this "change of course" was the inaccuracy of neoclassic theories. Differently from what they affirmed about the theory of balance of payments, Hymer noted that US companies were concentrating their capital not in developing countries, but rather in Europe. The

[17] SMITH A. (1950), *"An Inquiry into the Nature and Causes of Wealth of Nations"*, Utet

author, while refuting previous theories, sees internationalization as a gradual process[18]: the company grows initially in the domestic market, gradually increasing its profits. The expansion process begins when the domestic market reaches its saturation and the possibility for the company of obtaining additional profits is unlikely. At this point the firm uses the revenue obtained in the previous stage to undertake the process of foreign expansion. The company then goes to the foreign market even if this involves a number of difficulties; among them is the lack of knowledge of the language, economy, culture and politics, or all those factors due to not being a national body. Therefore, in order to compete with local firms it is necessary that the company, when deciding to internationalize, possesses other advantages such as for example the innovative nature of the product, legal protection due to a trademark or patent, important economies of scale, favorable conditions for the excess to the credit, etc. In fact, it is thanks to market imperfections (all those factors that do not guarantee perfect competition between firms) that the incoming company will decide whether to go abroad through exports or through foreign direct investment (FDI), the latter preferred if a direct control of the processes is required.

3.1.3 Vernon's theory about the life cycle of the product

A further step forward was made by the economist Vernon who in 1966 developed a new theory about internationalization: the new element under analysis was no longer the enterprise, but the product. He tried to explain the operations of foreign companies following a precise pattern of four stages in relation to the product's life cycle [19]:

- Introduction phase: in this first phase, the product is intended exclusively for the domestic market; it is still not standardized and editable. The initial absence of any kind of competition means that the company can enjoy a momentary advantage monopoly. At this early stage there is no internationalization because it is necessary

18 DUNNING J, RUGMAN A. (1985), *"The influence of Hymer's Dissertation on the Theory of Foreign Direct Investments"*, The American Economin Review, Vol.75

19 VERNON R. (1966), *"International Investment and International Trade in the Product Cycle"*, The Quarterly Journal of Economics, Vol. 80

for the company to communicate the innovative nature of the product offered to consumers and verify the degree of its appreciation by the part of the latter;

- Development phase: at this moment a product standard begins to assert which determines any initial imitation by competitors. There is a growing demand both in domestic and foreign countries similar to those of the first mover; this determines the beginning of the internationalization process that initially takes place through exports.

- Maturity phase: at this time a direct presence in foreign markets is necessary through FDI that coexists with exports. This is due to the continued growth in demand in foreign markets and due to the initial imitation of the product from local businesses; this determines the search for greater production efficiency as competition is no longer based on innovative products but on prices;

- Declining phase: the product is no longer profitable because the fall of the domestic and foreign demand and because of competition. The company, by now, has only to decide whether to relocate the production activities in countries with low costs of labour or inputs; otherwise, they must leave the business and begin the production of a new product, thus starting a new cycle.

Although the Vernon model has been used for a long time in the interpretation of the internationalization of enterprises, this capacity began to fail due to the limited attention that this model gives to enterprises and to the innovation of processes. Even more critics were moved by Michael Porter who highlighted how the dynamics of the four phases can vary from sector to sector: it is possible that some products go directly from the introduction phase to that of maturity skipping the middle stage of development.

3.1.4 Coase's transaction costs theory

The theory of transaction costs stems from the contribution of Ronald Coase in 1937[20]. These costs, due to market imperfections, can be defined as all the expenditures incurred by the company in order to acquire information on the quality of inputs, their price and on the reputation of the supplier; to these are added the costs for the negotiation and writing of the contract, the costs incurred to monitor the work of the other contracting party and to ensure the proper execution of the contract. Coase's contribution was taken up by later theorists such as Williamson who provided a more detailed discussion of the nature of the transaction costs. Along with other scholars such as Teece and Caves, they applied the coasian analysis to the study of the internationalization process: companies tend to expand their borders in foreign markets when, given the market imperfections, transaction costs are so high that it induces enterprises to replace the market transactions with the realization of an own hierarchical and international organization of their activities. Then businesses place their units in different geographical foreign areas given that internal production costs are lower than those that would be generated with the use of the market. Furthermore, outside their national borders, the transaction costs are much higher when considering for example, language differences, cultural and technological. All the more reason, then, in an international context to organize the firm in international perspective is even more convenient. In their work, Williamson identifies the causes of the existence of transaction costs that can be summarized as follows:

- Limited rationality: the subjects, while trying to act in a particular way, do not have the ability to act as rational as possible in order to control and predict every phenomenon (according to the definition that provides H. Simon, there is a certain missing link that allows humans to predict and solve complex problems);

- Moral hazard: individuals not only have limited rationality, but in their behaviors are driven to act opportunistically even if that might harm others;

- Asymmetric information: deals with the different levels of information available to counterparties for which one of the two has an advantage over the other;

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[20] COASE R. (1937), "*The Nature of the Firm*, pp. 386-405

- The frequency of exchanges.

Finally, it is interesting to see how well Teece and Caves have contributed to their theorizing about the internationalization of enterprises starting from the coasian theory of transaction costs. Taking up the notion that, given the high transaction costs for business makes it convenient to create an international hierarchical structure, the contribution of these authors focuses on how, in the case of international operations, it is possible to reduce the total costs of the firm given by the sum of those due to the production and of those incurred for the transactions. This is thanks to FDI that renders it horizontal or vertical. In the first case the company fails to grow in the domestic market and uses its excess resources abroad, instead of granting licenses for their usage on what would lead to high transaction costs.

In the second case, namely that of vertical FDI, the company internationalizes activities upstream or downstream of the production chain so as to avoid unpleasant behavior by suppliers or customers whether it makes use of the market. Vertical FDI is convenient when the raw materials are highly specific.

However, although the presence of transaction costs in international markets is a sufficient condition to explain the use of foreign direct investment and the consequent existence of transnational corporations, the incentive to internalize also depends on the interaction of various factors that may depend on production, by country and by company characteristics (activity, country and firm-specific variables). The first economist who tried to use a combination of these different types of variables to explain the process of internalization in a dynamic perspective was Dunning (1980), through the "eclectic paradigm".

3.1.5 The eclectic theory

In 1977 John Dunning developed the eclectic theory making a very important step forward in the development of the internationalization theory. His contribution is in the middle way of those theories previously analyzed: while interpreting the phenomenon, he takes into account both the microeconomic theory of the firm and the macroeconomic theory of international trade [21]. The model, in fact, is based on the idea that it is necessary to supplement the analysis of the characteristics of the market with the analysis of individual companies as these differ substantially in many respects, such as in the organizational system and the innovative capacity; therefore resulting in extremely diverse expansion strategies. It is precisely for this reason that this conceptualization is called "eclectic paradigm": *paradigm* because more than a real theory, it is an interpretative framework of the internationalization phenomenon; *eclectic* because this approach takes up parts of different theories on the subject. Therefore, trying to overcome the shortcomings of previous theories, Dunning tried to make a substantial contribution to explain the steps taken by the transnational companies. According to Dunning the choices that companies make when they decide to internationalize depend on the possession of three types of benefits:

- Ownership advantage: unique benefits that come with owning physical assets (such as the endowment of natural resources, labour and capital) or intangible (technology, organizational and managerial skills, innovative capacity and privileged access to resources) that ensure the company's competitive advantage over their competitors;

- Localization advantage: all the advantages associated with the characteristics of the host country resulting from cultural, political, institutional and technological of which companies operating there can enjoy and benefit from;

- Internalization advantage: derived from the integration in the enterprise of some activities conducted at an international level seeking to increase efficiency and avoiding to resort to the market (this is the same advantage identified by Coase's theory of transaction costs).

The company's choice of an internationalization mode (export, FDI or contractual transfer of resources through licenses) will depend on the combination of these three different types of benefits. The possession of the property gives an advantage against foreign competitors is a prerequisite for all forms of internationalization; therefore the choice of the country to be reached and the mode of entry depend on two other

[21] DUNNING J. (1988), *"The Eclectic Paradigm of International Production: A Restatement and Some Possible Extension"*, Journal of International Business Studies, Vol. 19

requisites. The choice of location can produce an increase in production units abroad and as a result the company resorts to exports. In addition, this type of advantage permits the identification of countries in which to invest. In conclusion we can say that although the model provides a comprehensive and unified interpretive scheme, the high number of variables that is taken into account makes for a too general and static theory according to the conduct of international business based on the existence of data benefits, without analyzing the dynamic developments, nor the international expansion program.

3.2 CONTEMPORARY STUDIES ABOUT INTERNATIONALIZATION

The previous paragraph deals with the theme of internationalization and what economists have written about it in various publications over time. This paragraph, however, offers an overview of how the current studies address the issue of internationalization, from the moment companies are willing to expand on the analysis and the evaluation of the results achieved. Nowadays facing the issue of foreign expansion for enterprises means to del with a global context completely changed compared to what was the background of past theories: globalization, due to the gradual disappearance of national borders, has resulted in a complete change in the global economic environment by ensuring that markets would become internationally open and that, therefore, goods and investments could flow more easily from country to country; a further consequence of this process is the emergence of new markets (such as China, India and Brazil) that up to forty years ago had a marginal importance in international trade. This change can have an impact on firms ambivalently, in fact on the one hand they are threatened by increasing competition, but at the same time they can enjoy the opportunity to expand their business and acquire market share in foreign countries.

3.2.1 Reasons and barriers for internationalization

On the basis of the above, currently expanding into new geographic areas is an obvious choice more than just a strategic move and, like any other type of strategy is influenced by the internal and external environment of the firm [22].

Among the internal factors, very often companies are forced to move into new markets because of the desire to leverage capabilities and distinctive resources that can guarantee the competitive advantage abroad; this occurs when the foreign market is seen as a chance to increase profits through the acquisition of new market shares; company decide to go abroad also when they want to strengthen their image or when they have to satisfy a newborn demand arising from foreign consumers.

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[22] CAROLI M. (2016), *"Economia e gestione delle imprese internazionali"*, McGraw-Hill

External conditions, and then the context that lead companies to expand internationally, are to be found in the intense competition present in the domestic market that is no longer able to ensure wide margins, in trying to cope with the competitive threat of a competitor ready to implement its foreign expansion and in business opportunities that foreign markets may offer.
However, although there are many elements that push domestic enterprises to go out from their geographical boundaries, penetrating a new market is anything but simple. Numerous obstacles arise along the path of the companies that intend to take this step. Also in this case we speak of internal and external factors that make the implementation of an international strategy so complex. As regards the first case, the main external barriers are due to the substantial costs that choices of this type entail due to the search of information about the target market and to the achievement of the customer. Add to that the difficulty of a foreign language and of finding qualified personnel for the execution of such operations. External obstacles, however, are found in the legislative and bureaucratic differences that exist between countries, as well as in difficulties in accessing foreign retail chains.

3.2.2 Country and timing selection

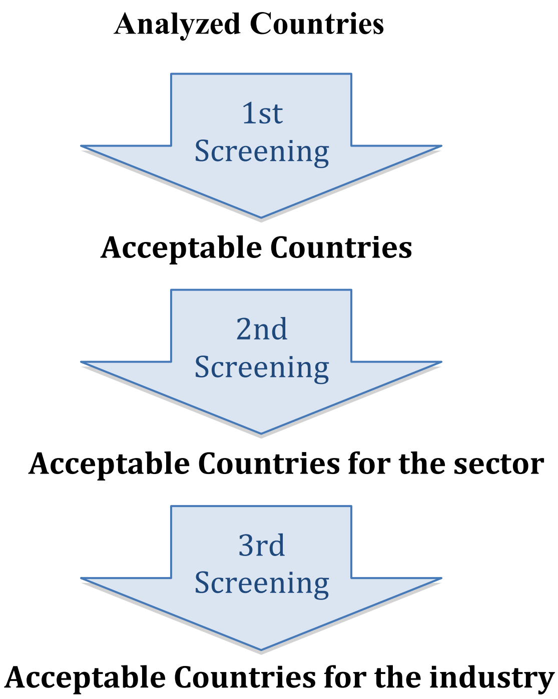
Once companies decide to expand abroad, they must make some preliminary decisions such as which country to enter and when. The selection of the destination country is not always easy and depends on the assessment of the possible profits that are expected to be achieved in the long run; in this evaluation firms must find a balance between costs, potential benefits and risks associated with that particular geographical area. The main parameters that companies generally evaluate are:

- The breadth of the country in terms of population demography;
- Rate of growth of the country as a growth index of the potential well being of the people;
- The consumer welfare in terms of purchasing power;

Of no less importance are the assessments of political, economic and social stability in a nation rather than the acceptability of the product or those other needs that have not yet been satisfied.

In addition to the variables just mentioned, companies generally make also a "chronological" analysis of countries, that is based on three stages: in the first the acceptable countries are defined, then those of interest to the sector, and finally the most attractive countries for the enterprise.

Fig. 3.1 – Countries analysis process



(Source: Caroli M. "Economia e gestione delle imprese internazionali")

<u>First Screening:</u> Through this first analysis firms identify "countries acceptable", or all those nations that have a general situations such as not having to be discarded immediately.

<u>Second Screening:</u> This analysis is needed by the company to define the most attractive countries for the sector by estimating the potential demand. The latter is calculated

considering the level of the demand if all the individuals who need the product would purchase it and would use it to the maximum. The higher the potential demand, the higher the attractiveness for the sector.

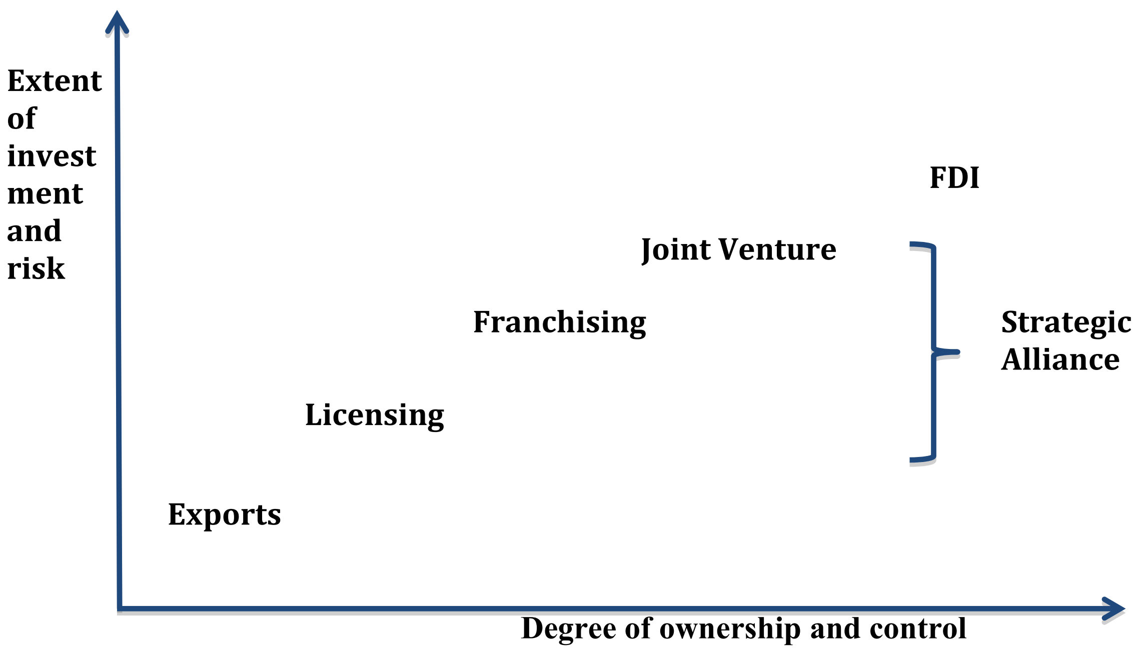
Third Screening: This analysis is used to determine the difference between the potential demand and actual demand so as to identify the most attractive countries for the enterprise.

When the country to teach has been chosen, it is necessary to determine when to enter it. The entry takes place later when other companies have already set foot in the foreign market, conversely, it is said that a company is a first-mover when it is the first to arrive in the foreign market. Being a first-mover means that there is the possibility to enjoy many benefits and, at the same time, having to deal with some possible "dangers" associated with this position. Among the advantages of the pioneering companies is the ability to anticipate the competition so as to catch the demand and establish more easily their own brand name; an additional first-mover advantage is associated with switching costs: all the costs (not only economic but also psychological) that consumers face if they decide to switch from one product, service or brand to another. Many companies focus their strategy on the creation of high switching costs so as to dissuade the customer from the products proposed by the competition. Among the first mover disadvantages, the pioneering costs are the most incisive. They are all those costs that companies penetrating the market at first have to bear and, those arriving later can avoid. For example the costs of research and of information, the costs in terms of time and effort required in order to understand the target market; in addition it can happen that firms must sustain costs to "educate" the foreign consumers about the characteristics and uses of their product/services if they are not thereby aware and, finally, the costs due to corporate failures if the activity is not able to be profitable.

3.2.3 Entry modes

Once the company decides to reach a new market, it needs to develop a competitive strategy that defines the activities to be carried out abroad and the subjects to be involved; when the market to penetrate has been found and competitive strategy is planned, the enterprise has to decide the entry mode or the "road to market" through which it can reach the target geographic area. Then how each company decides to enter a given market depends on the evaluation of a number of factors such as the barriers to trade, transport costs, economic, political and business risks. It comes to choosing the technical-organizational mode that best suits the characteristics of the company and that is best suited to the objectives of the latter (for example think of businesses that sell innovative products that require customer proximity for assistance during and after the sale). The possible ways of entry are illustrated in the following chart according to which they are positively correlated based on two parameters: the financial and organizational effort required and the rooting potential in the foreign market (which increases with the number of established relationships with foreign actors and the degree of appropriation of the results obtained).

Fig. 3.2 – Entry modes



(Source: Marino A. "Corporate Strategies 2013-2014")

• Exporting:

This happens when the company produces goods in the domestic market (where the activities of the value chain are located) and sells them in a foreign market; it is the simplest mode of internationalization and it is precisely for this reason that it is almost always adopted by small businesses with limited financial resources. Within this category it is possible to distinguish direct and indirect exports.

- Indirect: in this first case the sale of the products in the foreign market is delegated to external area subjects. These figures have the responsibility to carry out the bureaucratic activities, to manage the costs and risks associated with the marketing of products. The use of independent operators have the advantage of guaranteeing the company the sale of its supply, to maintain a limited level of financial investments and organizational changes; by contrast there is minimal control on the marketing and positioning of its product, it is also no longer possible for the company to obtain knowledge on the foreign market and local needs.

- Direct: with direct exports, on the other hand, the company establishes its own facility in a foreign market that enables it to have greater control of the activities of promoting the product and of the characteristics of the local market as well as to increase the visibility of its brand.

• Strategic Alliance:

These are agreements between two or more persons who agree to work for the achievement of specific objectives in the medium-long term. Collaborating with a foreign partner guarantees the company the advantage of the knowledge that the latter has on the local market and that the company otherwise would not be able to acquire. Furthermore, this type of strategy involves the sharing of risk and costs associated with investing, the immediate access to the resources and complementary skills to those of the company, as well as greater speed in reaching the volumes needed to become competitive and more flexibility in adapting to the changing demands of the various markets. Prime examples of strategic alliance are licensing, franchising and joint venture agreements.

- Licensing: a contract whereby a person called licensor that is located in one country, grants to another party leased in another country (licensee), to exploit his assets (trademark, patent, trade or other assets intellectual property) in exchange for a royalty or a fee. The advantage of the licensor is that he sees his product, brand or technology disseminated rapidly and quickly. However there is a risk of a lack of control of the marketing strategies adopted by the licensee, and to see him as a possible competitor in the future;

- Franchising: a contractual agreement between two parties whereby a company (franchisor) receives a fee or royalty in return for the right to use its intellectual property rights by another party (franchisee). It is a contract of longer duration than that of licensing and requires some tasks for the franchisee other than that of the sale of products, such as for the advertising and monitoring of operations. Through the franchise agreement, the franchisor sees its position developed in several foreign markets simultaneously, in a fairly short time and with low cost investments. As for the case of licensing, this type of strategy could benefit a potential future competitor.

- Joint Venture: within strategic alliances, joint ventures represent the most challenging mode of entry both economically and organizationally. From an international perspective this type of contractual agreement provides that two or more parties, from different countries, create a new company in a foreign country. The agreement states that the involved parties provide not only financial resources, but also tangible and intangible resources that ensure the start-up and the functioning of the new activities. Although the joint venture has many advantages such as for example the sharing of risk and investment costs, there are many difficulties that have to be considered: it often happens that to maintain the balance between the parties regarding the goals to be achieved, the amount of investment to be incurred and the time horizon chosen proves very difficult; add to this the problem of any cultural diversity that might pertain to the management and how it could determine the need to transform such differences into a stimulating innovation element.

• <u>FDI:</u>

Foreign Direct Investment is the more complex entry mode into a foreign country. Firms choose to undertake these investments when they want to accomplish permanent and complex activities (some or all of the value chain) in a foreign country that could determine a stiffening of the organizational structure. Among the reasons that lead companies to achieve these types of investment is the desire to have a more direct presence, the ability to acquire input at lower costs compared to the domestic market and the opportunity to acquire distinctive resources that allow the company to improve its competitive position. The FDI are divided into Greenfield and Brownfield: the first would be the creation of a new structure in the foreign country; in the second case, instead, the structure already exists and the company acquires the property. The advantage of this choice lies in the company's ability to directly control the foreign market and appropriated directly to the earnings from it. Also in this case there are risks: companies that resort to FDI are exposed to the danger of failure and politic-economic turmoil in the country of destination.

3.2.4 International strategies development

Once the new market is reached, companies are concerned with defining the competitive strategy to get space between the competitors and allow them, in the long run, to gain a competitive advantage. It is in fact the goal of all companies that go abroad to increase their profits and perhaps secure a leading position in the market in an increasingly complex world. This issue becomes more and more difficult to achieve and requires considerable effort for companies not only in economic terms but also in cognitive ones in order to devise a strategy that, by balancing product, brand and price choices, guarantees its success [23].

Product

With regard to decisions relating to the product (defined as a set of tangible and intangible attributes), companies are faced with decisions about the degree of

[23] COSTABILE M, ADIGUZEL F. (2013), *"International Marketing"*, McGraw-Hill

adaptability of the latter, considering the uses, tastes and habits of consumers residing in the country of destination. Possible solutions adopted by companies in this regard are summarized in the following five alternatives:

- The domestic product is sold in foreign countries without making any changes;
- The product sold in the domestic market is sold abroad with minor adaptation;
- The company creates a globally standardized product for a transnational consumer segment (which includes most consumer nations);
- The company creates a globally standardized product bringing some small adjustments to meet the preferences of a transnational consumer segment;
- The product sold abroad is designed specifically for it and is completely different from that sold for domestic demand.

The choice of whether a product should adjust or not, is among the most important in which each company must collide. They prefer to create a standardized product when economies of scale allow them to dramatically reduce costs, or even when the company wants to assert its global brand, as well as to ensure a more rapid recognition. Otherwise the product adaptation to local markets is preferred when the differences between countries are very significant, as well as when the company has to deal with the extremely strict regulations imposed by the foreign country.

Brand

We now turn to analyze the role of the brand internationally. The main function of the brand (it can be represented by a name, a symbol, a sign or a combination of these) is to distinguish the product offered by a company from the ones offered by a competitor. In recent years the brand has played an increasingly important role among the intangible assets that the company has and, it can happen that its value exceeds that of the same company revenues. When firms offer their products, it is necessary that the choices in this field consider the cultural and language differences existing between countries; the possible strategies to be undertaken are two: take a local brand or a supranational brand. In the case of local brand, it is used only in one country even if the same product is sold in more countries; this strategy is preferred when businesses want to avoid any possible failures carried out in a market that could affect others. In the second case, however, the company uses a global brand in all countries where it operates by taking advantage of economies of scale through the standardization of marketing activities.

Price

The company at this point has to make a further strategic choice, that is, with what price to offer its products? Generally the modes of decision are two: either a cost method is adopted, or the method of demand and competition is adopted.

- Cost method: within this category stand the full cost method and that of differential cost. In the first case the price is obtained by adding a certain income margin for the company to the total costs incurred by it for the product in both domestic market and in foreign markets. In the second case, however, only the costs incurred in the foreign market are considered and to these the profit margin for the company is added.
- Demand and competition method: the price is dynamically determined by observing those that competitors have set in foreign markets.

However, companies that enter into a new nation often adopt pricing policies that do not consider what was just said and it happens that, in order to penetrate substantially the foreign market, companies incur initial losses by offering cheap products with prices below production costs. The goal is to quickly obtain large market shares especially in those sectors for which demand is particularly elastic.

Finally, in the context of pricing policies, a further two possibilities can occur: the first is when the company standardizes the price, and then a product positioning equally between the various markets is guaranteed; in the second case, the price is adapted to the different geographical areas based on local preferences and on the elasticity of demand.

3.2.5 Distribution Channels

When the company has taken all the strategic decisions about what has just been analyzed, it should now be determined how it can reach end users. The choice of distribution channels is included in all the decisions that a company must undertake in the field of distribution; these include also other kind of decisions such as the brokerage figures to involve and other choices to be made about the shipping, packaging and storage of products. Also in this case, the choice of distribution channels depends on both internal factors and external to the enterprise. Among the former there are:

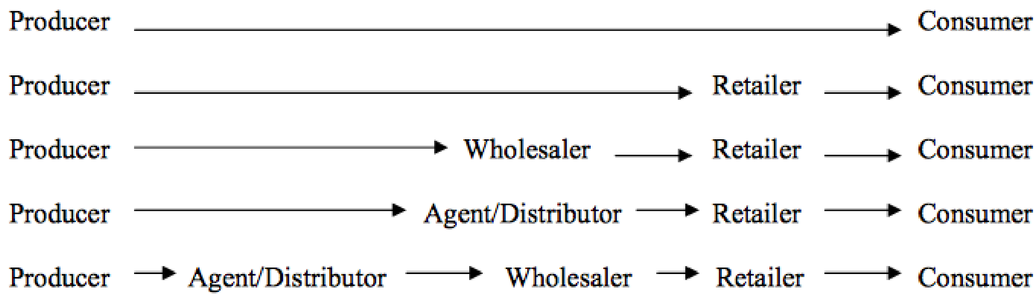
- Entry strategy adopted, for example for exports generally the distribution takes place thanks to the partners acting autonomously, while for the strategic alliance or the FDI generally short distribution channels are suitable which ensure greater control;
- Distribution strategy;
- The degree of complexity of the product (the higher the complexity the higher the number of interactions required with intermediaries);
- Dimension of export department (if the company has a small export function generally it uses local partners for product distribution).

The external factors, however, are:

- Distribution system (choices influenced by the structure of its logistics and the characteristics of its distribution system);
- Local laws;
- Shopping habits (concerns the preferred mode of consumer purchasing);
- Local competition (for example some competitors could create barriers to entry because of their exclusive relationships with local retailer or wholesaler).

The following table provides the representation of the possible distribution channels in international trade; as can be noted, they could be direct or indirect depending on the presence or absence of intermediaries between the manufacturer and the final consumer.

Fig. 3.3 – Distribution channels



(Source: personal elaboration from COSTABILE M, ADIGUZEL F, "International Marketing", McGraw - Hill)

When a firm enters a new foreign market, establishing the right structure of distribution channels is extremely important since is difficult to change and initial wrong decisions may determine low returns. For this reason the distribution method adopted should be questioned constantly internally by the firm to ensure the right functioning and to guarantee that the product can reach the final consumer quickly, safely and with reasonable costs.

CHAPTER 4: THE GROUNDED THEORY

The Grounded Theory is a scientific survey method that allows the successful conducting of qualitative research.
It was been theorized for the first time by Barney G. Glaser and Anselm L. Strauss who, then, provided its first codification in 1967 in the text *"The discovery of Grounded Theory. Strategies for Qualitative research"*. The GT theoretical foundations derive from Pragmatism and Symbolic Interactionism. The first refers to the concept of "change" since the phenomena are not static but change with the conditions of the context; the second, however, refers to the concept of "determinism": subjects are able to control their own destinies through their ability to make choices.
This approach reverses the typical methods of doing surveys and it was proposed as a scientifically proven alternative to quantitative methods that, at the time, seemed to be the only ones able to explore reality in a rigorous way. After the publication in 1967, through which Glaser and Strauss provided a series of guidelines, procedures and research strategies to ensure a qualitative analysis of logical and systematic data, the ideas of these two scholars began to diverge. At the classical approach of Glaser, who was on the original formulation of the methodology, there was the opposing view of Strauss regarding the conceptual-procedural approach which he had adapted, since the nineties, with Juliet Corbin.
This break was determined by the publication in 1990 of *"Basic of Qualitative Research: Grounded Theory Procedures and Technique"* that Strauss realized in collaboration with Corbin. This text introduces innovative elements of the GT method: this approach is explained in detail step by step and supported by a number of techniques and verification procedures from which departs the thought of Glaser.
The inductive nature of this analysis technique provides that the analysis starts from the observation of reality from which a theoretical construction will be developed: the researcher in fact, instead of checking a pre-existing theoretical assumption and then testing it, in his survey works from an area of study and observes the relevant phenomena that emerge from it; so the research can be guided solely by the data collected in the field during the survey itself (from which the "*grounded*" adjective, in fact, is rooted, based on the data). For this reason, the result coming from a study

conducted with the Grounded Theory has a strong practical application value and therefore well suited to the methodological research contexts that require concrete practical implications and it is for this reason that, even today, the Grounded Theory is extremely effective especially in those areas where new phenomena need to be investigate. Despite the multiplicity of interpretations that have emerged over the years compared to the original formulation, there are some elements that can be considered distinctive of a grounded search: the circularity of the research process, the theoretical sampling, coding, the presence of memos and diagrams.

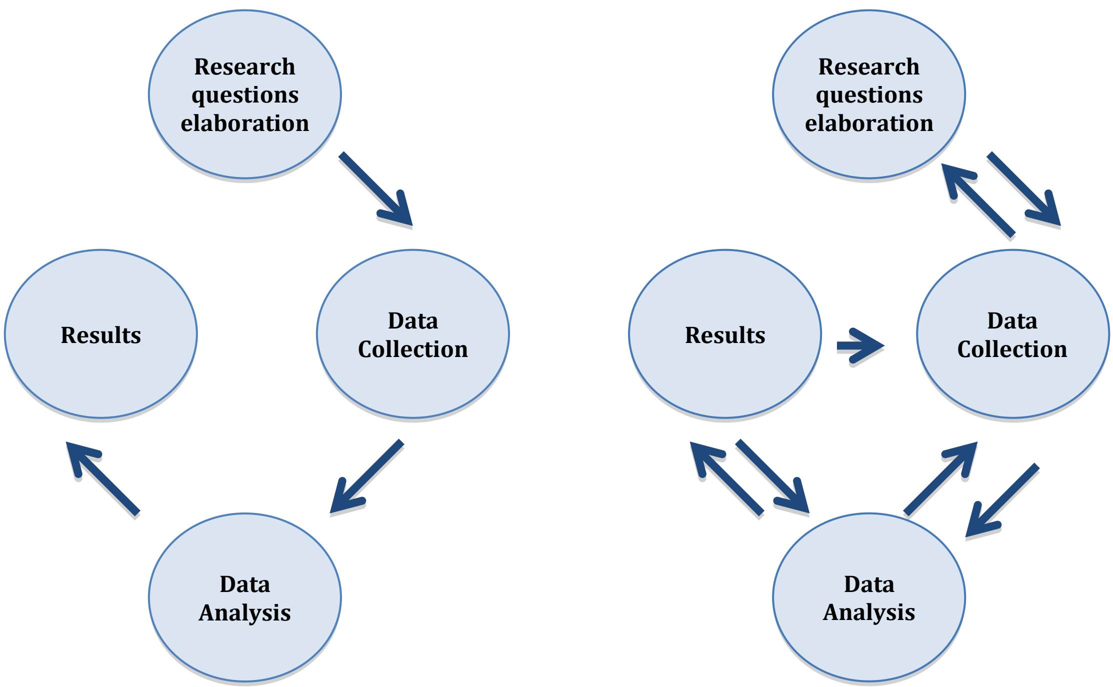
The following chapter, in the first part, aims to describe the main features of GT method since, thanks to its inductiveness and dynamism, it has been chosen as the analysis tool of the evolution of the internationalization process that has involved some companies operating in the olive oil sector. The chapter ends with some tips that summarize the mail aspects to successfully use this research method.

4.1 THE GROUNDED RESEARCH PROCESS

4.1.1. The recursion of the method

Corbin and Strauss in the elaboration of the research process diverge from the traditional quantitative methods of that time that provided a linear progression of the main survey's moments in which the researcher is involved: it begins with the elaboration of the research questions, follows the collection of data, their analysis and process and then the investigation concludes with the announcement of the results. In this type of research it is possible to observe a linear sequence of methodological and empirical steps, distinct and separate. Qualitative research, instead, is characterized by a circular process in which the researcher, while respecting the same four phases, can constantly reformulate the search pattern in the light of the collected data. He can then redefine the data collection instruments depending on the results obtained in phase of analysis, while taking decisions that are contingent and not always linear and planned in advance. The main differences of how differently work the qualitative and the quantitative methods work are reported below; the image on the left represents the quantitative research process, the other on the right the qualitative one.

Fig. 4.1 – Qualitative and quantitative research methods



(Source: personal elaboration)

As we can see from the picture, the qualitative nature of Grounded Theory makes the research phases recursive: the validity of the survey, in its entirety, must be constantly monitored and each of the phases must be assessed in the light of the other, while considering the effectiveness of the techniques and of the tools of detection in respect to the results achieved. The techniques that are usually taken for data collection are interview or the focus groups; generally it always starts from a very broad and generic question and the real center of interest emerges gradually during the investigation[24].

Through the first surveys the researcher reaches a first impression about the phenomenon that is being examined and, as the data collection progresses, critical issues with which the researcher must face emerge. This is the moment in which he must adapt and modify its research design to better guide future interviews so as to achieve a higher degree of accuracy.

4.1.2 Theoretical sampling

The choice of participants in the survey research conducted with GT takes place according to a strategy defined as "theoretical sampling" according to which the parties involved are not defined a priori before the beginning of the survey, but during the same in accordance with the sample representativeness on the issues that gradually emerge; so it is the researcher who chooses cases to investigate, not for their uniformity, but for their distinctive features interest. This interest may change over the course of the research itself so that sampling should be conducted according to the evolution of the theoretical relevance of the concepts. During the sampling process the researcher, only with the progress of the analysis of the collected data, can define what are the cases of his interest and proceeds with subsequent recognition, as long as it does not reach the conceptual saturation. This last concept is a distinctive quality of the categories and the emerging theory in its final form. A GT research is concluded - and then ends the sampling - when no new factors emerge from the analysis of the field data. A category is considered "saturated" when the data collected does not arouse in the researcher any new theoretical insights.

[24] ROBERT K.Y. (2009), *"Case Study Research, Design and Methods"*, Fourth Edition

4.1.3 Coding

The coding of the data is the process that connects the collection of data to the formulation of the emerging theory. GT provides three main coding moments: the first (open coding) requires the researcher to be as open-minded as possible and he has to assign labels to phrases or words that are in the data collected, starting a first formulation of the categories and subcategories.

The second moment of coding (axial coding) is more focused than the first and the researcher, in this case, organizes, synthesizes and integrates the set of data through the use of the previously identified labels. The third phase (selective coding), however, provides the identification of the "core category" (central phenomenon studied) to which all previously identified categories are logically connected. Let us now see how to make each of these three data processing methods.

- Open coding: the fundamental characteristic of this phase is that the researcher assumes an attitude of total openness towards the many theoretical possibilities that can emerge from the data; it is possible, therefore, that new questions and research areas arise. The collected information and events are divided analytically, actions and interactions are grouped by similarities and differences; the open coding therefore remains closely linked to the data, based on them and on their comparison; in this way the first categories and subcategories begin to emerge. These, unlike what happens in the quantitative research that applies pre-existing categories to data, emerge directly from them. In this first phase, the categories are open, provisional and only gradually reach a higher degree of accuracy; it may happen that GT researcher puts data in the wrong category: only after errors and comparisons will the data be arranged in the appropriate classification. A further function of the initial coding is to provide the researcher the ability to identify an area in which there is a lack of data so as to better guide the subsequent data gathering. In the end, the initial coding can take place in three different methodologies: *word by word*, *line by line* when a label is attached to each of the transcribed data row, or *accident by accident* when episodes that occur in a given setting are compared.

- Axial coding: this is the second phase of the analysis process. At this point the categories are related to sub-categories and accuracy of their reports is continuously checked. It is a non-linear process that moves in a dual direction between data, categories and emerging theory. This constant comparison serves to focus the concepts and make the categories more and more precise and defined.

  At this stage the role of the researcher is to move quickly between the interviews and observations comparing experiences, actions and their interactions so that the events and categories that had not yet emerged start to take shape; therefore now greater involvement is required by the researcher and an active reading of data; he must conceptualize and summarize data by using labels identified during the open coding. He also has to test hypothesis and, if necessary, discard those that once faced with data do not hold.

- Selective coding: the goal of this last coding phase is to identify the *core category* that is the key concept that synthesizes a social, behavioral, psychological or sociological phenomenon around which all the research gravitates.

  It represents the central category to which all other categories are related in some other way. These, at this point, should be hierarchically organized and meet the requirement of theoretical saturation: it is reached when no additional categories emerge from the analysis and when the emergent theory fits all the data collected.

4.1.4 Memos and diagrams

From a strictly procedural point of view, the formulation of memos and diagrams is a peculiar feature of GT. The former are analytical notes relating to the search process and allow the researcher to analyze data and from the beginning; they represent an intermediate stage between the codes and the drafting of the final theory. They do not appear in the search report, but they are extremely useful in the construction of the emerging theory because they may help the researcher in the conceptualization and in the analysis development, reminding him how he came to the formulation of certain categories and documenting the coding work done. The diagrams, however, are peculiar instruments because their presence in the research reports provides a very easy solution to visually understand surveys conducted with this methodology. Their expressive and synthesis abilities are used to represent and summarize complex processes that are difficult to express in a linguistic form.

4.2 GROUNDED THEORY CODES

Having analyzed in detail the phases and the technical prescriptions of Grounded Theory, in this section some general tips are summarized so that a researcher can achieve a successful qualitative survey. Therefore every researcher, in the analysis of the phenomenon under study, must meet a series of requirements so that this theory is applied correctly. The standards and procedures that have to be observed are briefly described below [25].

- *Data collection and analysis occur simultaneously:* unlike other methods of investigation, GT provides that the analysis of the data does not happen when they have finished to collect it, but it is expected that a first analysis is done when the first data are obtained: this is one of distinctive features of the model. The investigator, therefore, must enter the field of investigation with an open mind and without preconceived ideas so that, thanks to the evaluation of initial information gathered, can direct interviews or comments to make later so that the aspects that resulted more salient or unexpected are not omitted.

- *Concepts represent the basic units of analysis:* the researcher does not analyze the data as they are, but through a conceptualization of those. The number of concepts depends on how many data were analyzed: the analysis proceeds over a longer period of time, the greater will be the concepts that emerge.

- *Categories must be developed:* they are conceptual elements, general and related to data that represent the theoretical definition that the researcher attributes to what he is observing from data. Grouping together concepts that refer to the same phenomenon and analyzing the similarities and differences create categories. They represent cornerstones of this kind of analytical method; in fact hand-in-hand that the analysis goes on, through their integration a theory will be generated.

- *Sampling is a gradual process:* sampling in the research process proposed by GT does not take place in terms of groups of individuals, but in terms of concepts, with

[25] CORBIN J, STRAUSS A. (1990), *"Grounded Theory Research: Procedures, Canons and Evalutative Criteria"*, Qualitative Sociology, Vol. 13

their proprieties and variations. Once the researcher has in mind the phenomenon to analyze, groups of individuals, an organization, or some members of a community are chosen to study: what counts in GT is the representativeness of the issue and not of the people. In this way, observations will be qualified based on the conditions that created the phenomenon, the interactions that are initiated and the consequences resulting therefrom.

- *Analysis requires a constant comparison:* when from data collection emerges something special, this should be compared with other incidents so as to verify the similarities and differences. Making this kind of comparison helps the researcher to reach a higher degree of accuracy by creating subcategories and of consistency.

- *Process must be built into the theory:* this concept means that during the observation of the phenomenon under study, purposeful situations or events can emerge due to external conditions and change the environment of the inquiry. It is necessary, therefore, that this aspect be considered for the correct application of the GT.

- *Memos are an integral part of the Grounded Theory development:* it may happen that the researcher is not immediately able to realize the categories and to study their properties. During the first phase of coding, then, it is useful to detect the first memos: they are analytical notes of variable length that delineate the search process, have an informal character and are useful for purely "personal purposes" because they serve to capture the thought that the researcher has in mind at that precise phase of research. The writing of memos extends throughout the analysis phase, until the end of the project.

- *Relationships among categories should be developed and verified during the research process continuously:* once the relationships between the various categories are identified, it is essential that these relationship are checked constantly to establish the possible need for some adjustments. This is a distinctive feature of the GT, which is the continuous verification of the hypothetical relationships between categories so as to ensure consistency and reasonableness.

- *The researcher does not need to work alone:* Working together with other experienced colleagues of the survey area, can help researchers avoiding bias as this provides an opportunity to improve the analytical capabilities and achieve greater theoretical sensitivity.

- *Broader conditions must be included in the analysis:* The researcher's analysis work must also consider the structural characteristics (economic, political and social) that influence the phenomenon to be studied by integrating them into the theory. The task of the grounded theorist is therefore to show how these conditions are connected to one another and how they can have an impact on the theme under investigation.

CHAPTER 5: INTERNATIONAL STRATEGIES FOR OLIVE OIL COMPANIES. ANALYSIS OF THE PROCESS THROUGH THE GROUNDED THEORY

The aim of this research is to analyze the process of internationalization of some major Italian olive oil companies. Whilst studying the phenomenon has been used the Grounded Theory which has allowed a qualitative analysis of the collected data: its method appears particularly suited for the study of dynamic processes such as the process of internationalization: it entails a series of incremental steps through which the companies become gradually involved in exports and in other forms of international businesses.

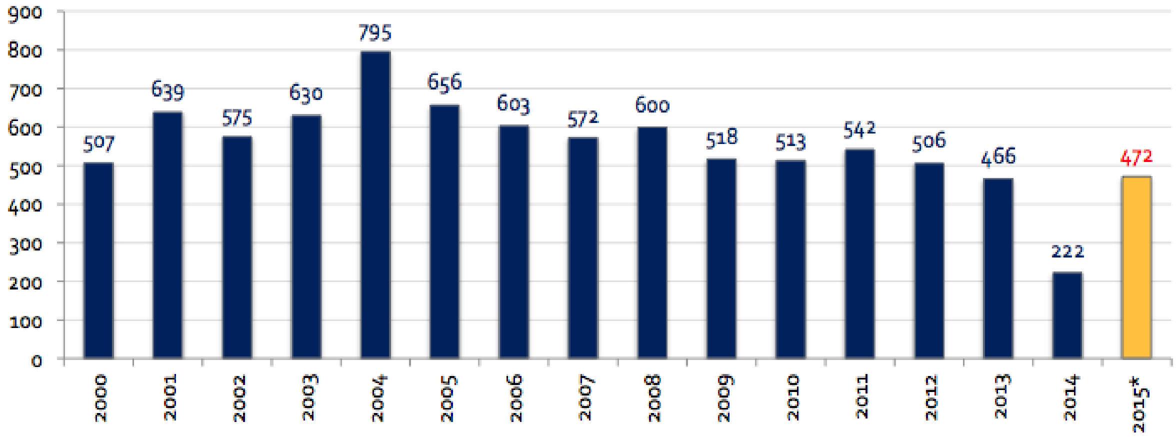
The next chapter has been carried out following various stages of data collecting and analysis.

Further to a brief description of the environmental framework that I had decided to conduct my research in the companies subject to my inquiry will be synthetically introduced. This first part will be followed by my explanation of the applied investigative methodology. Eventually, the collected data will be discussed in the chapter as well as the development of the theory that sheds light on some aspects of the internationalization process, from its conception to its assertion, which has turned the four companies into international market leaders.

5.1 AREA OF INQUIRY

Olive oil has long-standing roots in the Mediterranean tradition and it is to the merit of the Ancient Romans that the cultivation of the olive trees spread out across Italy. Currently the Nation is the first consumer country and the second producer country of olive oil in the world even if during the last years both production and consumption of olive oil are having a negative trend, as shown in the charts below (data are expressed in millions of tons):

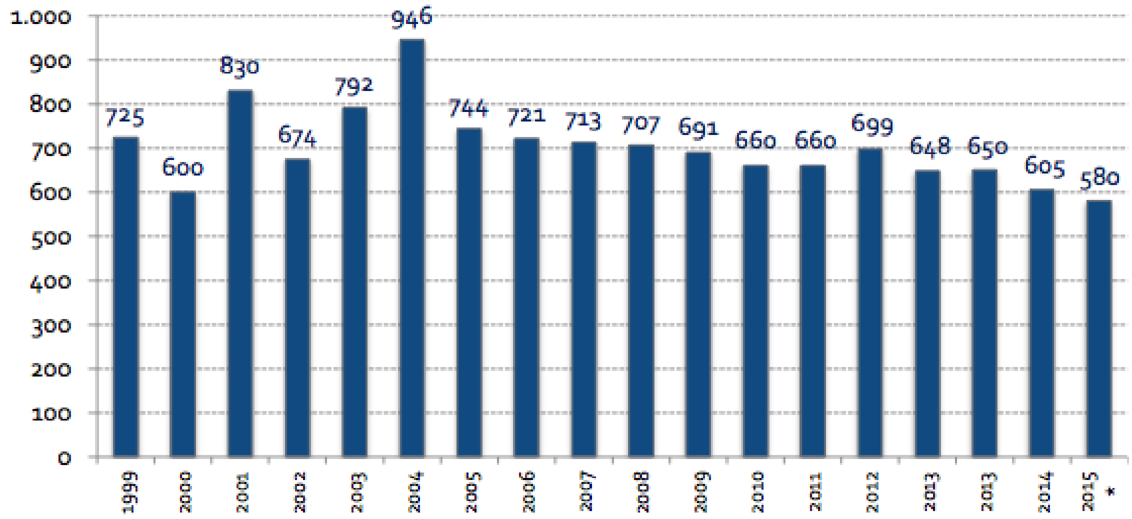
Fig. 5.1 – Olive oil production



(Source: ISMEA elaboration of data from Istat)

Excluding the data of the year 2014 due to a combination of particularly unfavorable events (for example, the olive fly that has compromised the production capacity of many plants), it is possible to note a decreasing trend of the production mainly due to the high costs of running the olive groves that do not allow to obtain satisfactory remuneration leading to the creation of the phenomenon of "no harvesting" which reduced the availability of Italian olive oil.

Fig. 5.2 – Olive oil consumption



(Source: www.ismea.it)

As is happening for the production, also the consumption of olive oil shows a negative trend. Of the total availability of national oil (produced and imported), 60% is consumed internally (70% of this share is for domestic use, while 30% is for the Ho.Re.Ca sector) and the remaining 40% is exported [26].

I was born and raised in Umbria, an area of Italy that is not very economically developed. However, since the end of the WWII, many olive oil companies have been created, developed and expanded in Umbria. Through time, these companies have asserted their position as the sector's leading brands on the international market.

Hence, this research has been based on the curiosity and the efforts to find out how pressed olives may generate an international business. It began contacting some of the companies in Umbria that I had previously selected upon their important business activities abroad. However, not all of them were attainable or interested in collaborating. This is why it has been necessary to reach out to some companies outside the region. Therefore, thanks to the collaboration with three companies in Umbria and one in Reggio Emilia, it was possible to achieve the inquiry aiming to investigate the transformational process of the companies from the family and local level to the

[26] SERNARI T. (16th May 2016), *Olio di Oliva*, , http://www.ismeamercati.it/olio-oliva

international. They are as follows: Monini S.p.A., Costa d'Oro S.p.A., Farchioni Olii S.p.A., and Olitalia S.r.l. The sole selection criterion was to identify the companies that reflect the Italian industrial background characterized by Small and Medium Enterprises whilst achieving the highest in both sector's national and foreign turnover. The four companies at the heart of this project comply perfectly to the following particulars: they have access to limited financial means in terms of the entrepreneurs' risk capital, forms of bank debt and, most recently, regional, national, and European subsidies. Their small/medium size makes them more vulnerable in a global competition context and their success is based on their entrepreneurs' efficiency, experience and vision while the latter entrepreneurs often face linguistic and cultural differences with apprehension; in family run companies, they make strategic types of choices. Hence, as the decision-making is in the hands of a few people who all belong to the same family group and the same "modus operandi", the decisions are made quickly, in order to react to changes with more flexibility. Having started as artisanal businesses, these companies have passed the spirit of initiative as well as the passion for quality products down from generation to generation which have made them famous by transforming them into veritable internationally successful companies - the sector's leaders.

Costa d'Oro started as a small family company before going public in the nineties. It has become more and more internationally significant over time. Currently, its olive oil products are distributed in more than a hundred countries around the world [27]. The olive oil story for the Farchioni family started in 1780 when, with dedication and application, it attempted to transform their raw materials into high-quality products [28]. Zefferino Monini Olio d' oliva was created in 1945 by its intuitive founder who had foreseen success in the olive oil business [29]. Olitalia is, instead, a leading company from Emilia-Romagna in the Italian food industry as well as on the international olive oil market. It was created with the aim of merging tradition, quality and safety and, with application, making its "know-how" available to consumers [30]. All four companies have a common fundamental aspect: they were created as family-run businesses before they started approaching foreign markets in the nineties.

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27 Company website, *"La nostra storia",* www.oliocostadoro.net

28 Company website, *"I Valori"*, www.oliofarchioni.com

29 Company website, *"La nostra storia"*, www.monini.com

30 Company website, *"Missione eccellenza"*, www.corporate.olitalia.com

Hence, summing up, the companies' selection criteria are as follows:

- Olive oil sector companies that sell their products abroad;
- Italian family-run small and medium companies (50 to 100 employees);
- The sector's leading companies all over the world.

5.2 METHODOLOGY

This section will briefly describe the participants that have collaborated in the process of my project of investigation as well as the collection methods of the information supplied by these participants.

5.2.1 The selected individuals

The choice of the interlocutors was carefully and thoroughly considered and never left to chance, although it was not made on the basis of the standard criteria: whenever possible, three representing people per company were selected and required to answer the same list of fourteen questions. The reason for doing so lies in the fact that confronting different people's points of view with their different roles gives a more complete picture of the phenomenon as each one of them had to tackle different issues, cases and situations. In order to gather as much information as possible, the chosen interviewee all had main positions in their company's strategies of internationalization; indeed, the key people who contributed to this study were the owners, CEOs and export managers: in all cases, these people have had a role of responsibility in the international development of their company. Once the owners were contacted informing them regarding the reason of the interest in their companies, it was given the opportunity to meet directly with the individuals who were available for the survey.

5.2.2 The interviews

The interviews were the data-collecting tool. More precisely, it was appropriate to make a semi-structured survey with fairly broad questions. These questions enabled the interviewees to speak freely about their activities, anecdotes, and the highlights regarding their companies while remaining within the scope of the survey. The survey containing fourteen questions was general and adjustable in order to gather and analyze the information that had not been previously defined but, instead, open to new directions and to the discerning of the process as a whole. Actually, in some cases,

when the interviewees recounted particular or unexpected situations or unfolding, additional questions have been formulated so as to shine new light on the matters. Moreover, it was allowed to audio record the conversations, which lasted thirty minutes each. The conversations have been transcribed word for word in order to cover their entirety. In addition to a mere audio registering, a particular effort was made to put the matters in a deeper perspective through the interpretation of my interviewees' body language (i.e. their gestures, expressions and voice tone variations during our conversations).
The following is a spreadsheet summarizing the above-mentioned topics:

Fig. 5.3 – Survey's participants

FIRM	INTERVIEWEE	FUNCTION
Costa d'Oro S.p.A. (A)	Federico Ciccarelli	Marketing Manager
	Alessandro Farneti	Export Manager
	Chiara Duranti	Export Manager area Far East
Farchioni Olii S.p.A. (B)	Marco Farchioni	CEO and Export Manager
Monini S.p.A. (C)	Riccardo Cereda	General Director
	Zefferino Monini	CEO, President and Taster
	Umberto Villa	Export Manager
Olitalia S.r.l. (D)	Camillo Creminini	CEO
	Fabrizio Rosso	Business Development & Export Director
	Roberto Amato	Marketing Manager

The core subject of the survey relates to these companies' strategy of development that has turned them from domestic into international firms. This study explores four areas of inquiry: the reasons for their expansion abroad, the countries that these companies have reached, the adopted strategies which have enabled them to settle and achieve markups and, finally, the results reached.

5.3 DATA ANALYSIS

This chapter examines four macro areas that explain how these companies have developed international strategies [31].

5.3.1 Reasons for internationalization

The issue of internationalization was considered for the first time at the end of the Eighteenth century. Adam Smith and David Ricardo were the first authors who gave an explanation to trade of goods between countries, at the time through merchant modes.
The attention of economists on the subject has seen a gradual increase over time due to changes in international trade that canceled the geopolitical boundaries of the nations; for this reason a new economic discipline was born, International Business, which affords internationalization from many points of view, since the idea is born in the entrepreneurs' minds, and leads to the evaluation of the results achieved. Among the main reasons provided by International Business that lead companies to expand across border, there is the search for greater profits, the desire to strengthen their image and the interest to follow the expansion projects of their competitors. There is also the opportunity that comes from having foreign customers interested in the product as well as the entrepreneur's vision towards new market horizons.
The phenomenon of globalization has certainly catalyzed the development of new markets that have been peripheral until a few years ago. In spite of the fact that internationalization entails numerous risks, most olive oil companies take the opportunity, aimed at incrementing their volume of business. Apart from the purely economic reasons, most companies consider investing abroad as risk diversification given the increasingly unstable world market. Hence, from the point of view of the investment risk diversification, the sources of profit from various parts of the world bring more tranquility to the companies.
There is a moment in a company's life cycle when it seems that something might be improved. It often entails the need to find something different, something that makes it grow and further develop. This was the case with the four companies examined in this

[31] The following analysis has been made with data collected through interviews

study, which took the opportunity of expanding towards new, vaster markets and less saturated than the Italian one. They shared the same motivation for extra-domestic expansion. However, going into more detail in the interviews, it has been possible to notice that there have been motivations particular to each of them that have catalyzed the expansion process. For the A and C companies the "Made in Italy" label has been the main driving force. Currently, the "Made in Italy" grants the products high brand distinction as well as the capacity of being a leader of a niche in the global market. Differently from them, the B company made the strategic choice of balancing its business volume between the domestic and the foreign markets with the half of its sales to be made in Italy and the other half to be made abroad. Eventually, the D company which has based its strategy of growth on the first price, after a drop of the latter, turned towards foreign markets in order to secure and increase its business volume.

"Wherever there is a saturated market, the first price only puts the markups down and prevents the company from growing. As a proof, as I was saying before, online auctions emerged in the large distribution. Actually, some big groups such as the COOP, used to call six or seven edible oil producers telling them: "Our plan is to spend one million euros. How many tons of sunflower oil would you give us for that sum?" Every producer would give his price. The one that offered the most sunflower oil tons would win the auction. We realized that this kind of situation has impeded our free decision-making; an online ranking list was available and it all looked a bit like gambling and potentially dangerous where we felt caught up. So, at that point, we decided to withdraw from that approach". (CEO of firm C).

But, personal and "internal" considerations on their own are not enough to justify such important choices that expose the company to possible situations of risk and significant expenditure. Some other triggering factors are required to support and facilitate the company to pursue that path; some of them are external factors that relate to the context's incentives and conditions that make it easier for the company to become transformed.

Among the main pushing (and external to companies) factors of internationalization are: a common awareness in all four companies that there are still genuine markets in the sector, the foreign entry barriers which are less costly than the existing large distribution ones in Italy and, eventually, the existence of minor brand leaders in many foreign countries with the ensuing minor competition compared to the Italian market. Hence, it depends on the entrepreneur's ability to foresee the opportunities and seize them.

"It was probably in 1975-1976 that we began trading with the United States. It was the same period when we started working with North European countries; it seems to me that it was Denmark that contacted us through other companies - it was already collaborating with the Spigadoro-Petrini regarding pasta and then asked us for the edible oil".
(CEO of firm C)

5.3.2 Countries analysis and selection

Before they make any decision that entails important investments such as an expansion abroad, all companies of any size and sector evaluate a series of parameters through the information research in order to direct their resources as efficiently as possible.
Having to deal with more markets means companies have to take into account the diversity that exists between them so as to develop a strategy suited to better succeed. Literature proposes as an analysis tool suitable for this purpose the CAGE framework, an instrument through which the distance between two or more countries can be measured according to four parameters: culture, administration, geography and economics.

- Cultural distance: cultural diversity concerns religion, customs, habits, ethical values, and language, in other words, all those behaviors that distinguish the members of a group of people from another;
- Administrative distance: deals with the legislation and the government structures;
- Geographic distance: measures country diversity in terms of their size, climate and infrastructure;
- Economic distance: factors such as level of income, prices, and costs of doing business.

Contrary to what people may think, cultural distance has a considerable impact on the strategic choices of enterprises: not understanding these differences can seriously affect the success of an international initiative. In this regard the psychologist Geert Hofstede, among the leading scholars of cross-cultural management, defined culture as *"The collective programming of the mind that distinguishes the members of one group or people from another"* and proposed a five-dimension model that may explain cultural diversities among nations.

Having seen how the theory deals with the theme of the analysis of foreign countries, this section summarizes how the target nations assessment process is done for the olive oil firms under investigation.

There are numerous countries where these companies are present with their products; the latter operate on almost all continents and in all the main markets. However, in all four cases, it is a slow and gradual process that has involved evaluation of many variables on the companies' behalves in order to avoid possible unfavorable events to their expansion. In order to examine the scenario of getting beyond their national borders, a thorough information research was necessary. Only after a careful assessment of many variables the decision was made regarding the most suitable markets to start the business in. The following are the factors that all four companies have examined in order to assess the motives for their expansion (in addition, all four companies have used also the sell out data purchased from international corporations such as Nielsen):

<u>Culture</u>

Globalization enabled the companies to go beyond their national borders generating a single, enormous market. If on one hand globalization has allowed for a rapid spread of ideas and information, on the other hand today there are still cultural diversities between the countries and within the countries themselves. They do not only involve different languages, religions or clothing, but also cover some hidden factors such as the organization of ethic issues and environmental values that are guidelines to social customs. The four examined companies focused on the eating habits in terms of cultural diversity. That was a difficult task as they discovered some completely different realities in comparison with the eating traditions they were accustomed to. Italy has a history of a millennial tradition as opposed to most of the world's countries where the use of olive oil is almost or completely unknown. Therefore, the companies have chosen the countries following a thorough research of these countries' perception of Italian food products and the Mediterranean diet; on the top of it, they have analyzed the importance and the perception that these foreign nations attributed to "Made in Italy".

Social class

The company B placed a particular interest in appraising different countries' social classes. In general, the bigger the country is, the more potential consumers there are. However, there are still countries that have not understood the importance of the olive oil in the food chain; Italian producers target their olive oil products to medium-high markets: hence, it is the bourgeois class that is addressed as it is culturally and economically ready to purchase such high-end products.

Economy and politics

Generally, when a company wishes to expand abroad, its aim is to increase its profits. However, it is necessary to evaluate economic and political factors that make the initiative more or less appropriate. In this respect, the four companies have agreed that, whilst the countries in Europe and North America present a rather stable situation, it proves to be too risky to undertake actions of internalization on some other territories; every nation and region should be examined separately in order to track its specificities from that point of view, with the long term aim of attaining a major extent of security on the future returns on investment. Therefore, the variables that were of considerable importance in the choices made by these companies were: unstable macroeconomic and political situations due to social tensions and conflicts as well as terrorism, volatile exchange rates and so on. What the Ceo of firm D observed is of particular interest: he highlighted the difficulties met during his past experience with the Iranian market; the Un subjected this country until few years ago to sanctions.

“To date in Iran was very difficult to get paid, we had to go only in certain banks that did not work with the United States because the United States did not want these banks could work with Iran”.

Competition

From the competition point of view the olive oil sector puts forward a peculiar aspect and that means the competition in Italy replicated on foreign markets: in fact, the major brands that collide on the shelves on the national territory making it saturated also face the "competition wars" on the worldwide markets. However, abroad, in addition to the competition among Italian companies, there is also rivalry with Spanish, Greek and Tunisian producers that, together with the Italian producers, represent the main producers of the olive oil in the world. Therefore, it emerged from the interviews that the four companies have tried to reach some under-served markets with scarce competition where the olive oil sales could potentially grow.

Customs duties and legislation:

A foreign country that could potentially be attractive according to the above-mentioned parameters, may not guarantee the strategy success. It has emerged from the interviews that the customs barriers may very often prevent a product from entering a new market or moving the products within the international circuits making the potential profits impossible. One of the main obstacles was, actually, the lack of experience in creating the export documents.

In addition to it, there are so-called "technical barriers to trading" namely the product's legislative standards that compel the exporting companies to comply the product to the health and food laws of the country of destination. The four companies that are examined have been exporting not only to the European Union but all around the world; all four of them have confirmed that, while exporting to the EU has been facilitated by similar regulations and common currency, selling olive oil to other continents has required strong adaptation efforts to local laws. Actually, dealing with various nations has meant adjusting to the food and labeling standards of each one of them. Therefore, if the number of countries of destination is multiplied by the number of labels that the company needs to issue on each bottle, the time required and the associated costs are huge (the latter are run by the Quality Control and Packaging). Furthermore, the entrepreneurs face difficulties in trying to keep up to date regarding law changes which sometimes occur more than once a year.

"Labeling is a major issue; for instance, a grape seed oil that is sold in Italy and in Europe can't be exported to some Asian countries as they have more restrictive parameters. As a result, I need to put these restrictive parameters on the bottles' labels and I need to find the appropriate types of oil for that market" (Firm D's CEO).

Once all the possible variables have been examined that may have positive or negative impact on the internationalization process, the oil producers have made use of the statistical data that outlined the trend of imports, consumption, exports and edible oil production in each country in order to assess the market potential.

All the interviewees agreed that it is a long and gradual process that has increased from year to year. Currently, their companies are present on all continents but to different extents. Actually, they have acted very carefully on mature markets, as a cautious evaluation of their return on investment was needed given the existence of strong barriers. Therefore, in order to offset substantial initial costs, they needed to be sure to carry on a long-term presence on the market. In the global context, Italy has a key role in terms of its presence on foreign markets; Italy holds a second place in olive oil exports compared to all producer countries. From what emerged by the interviews, the major target markets were initially those traditionally consumers of olive oil, so in the nineties exports began to the continental countries of Europe (i.e. Germany, according to ISMEA data, has seen its imports from 64 000 tons in 2010 to almost 73,000 in 2014) followed, later, by the US (in the last fifteen years has increased imports from 215,000 tons to 313,000) and by the Canadian markets. Currently it is the companies' common tendency to take into consideration the Asian rapidly developing and densely populated markets as well as the Middle Eastern and the Far Eastern markets although it requires overcoming huge cultural issues; thus the business growth seems difficult and gradual although the sales often depend on the purchasing power of the client who starts enjoying excellent possibilities in those countries. From that common opinion deviates the firm C's CEO who sees little growth potential in China for his company and, in fact, the Chinese being a very entrepreneurial nation, he sees them ready to start their own olive oil production.

"There are countries, like China or India which it seems to be a must to reach because they approximately cover a third of the world's total population. I am convinced they

will consume more olive oil than before but I am also convinced that these are very difficult countries to export to as they know how to grow and produce at home. China is currently considering to make significant investments in olive growing as they wish to produce olive oil being aware of its benefits on health - a product for everyone with a price affordable to everyone."
(Firm C's CEO)

Today the number of importing countries in which each of these companies provides sales of its product is between 60 and 100 gaining, in some cases, its market leadership (i.e. firm C in Poland and Firm A in Romania)
One peculiar example is the firm C which doesn't only export and promote its products abroad, but it has internationalized a stage of the raw material's production in Australia: approximately ten years ago, the company purchased a piece of land where were planted 50 000 Italian olive trees which, today, produce the oil that is sold on the Australian market. This shows how going beyond the national borders has meant the spreading of production processes of the company's know-how.

5.3.3 Strategies and organization for expansion

Arriving at this point, we now move on to examine the third macro argument of this research project: the analysis of the various strategies adopted by each company; from their entry into the international market to the consolidation of their market shares.
The methodology of the entry, and the strategies adopted to make them competitive and acceptable products in international markets will therefore be considered.

Entry modes and developments

When a company decides to enter a new market, after carefully analyzing all the variables that characterize the business in the various countries, it establishes a specific entry strategy. Once it has identified the activities to be performed and the geographic area involved, all that remains is to define the technical and organizational methods to best reach the market.

According to the literature, the choice of entry strategy is influenced by many factors both internal and external to the enterprise. Firstly, there are the financial and human resources available, the strategy to be implemented, the management mindset, the time horizon considered and the type of products or services the company intends to offer; with regard to external factors, these in turn are divided between those of the domestic country and those of the target country. In the first case the level of internal competition is evaluated, the presence of higher production costs or, for example, the possibility of obtaining government incentives; the country of destination, however, influences the choice of entry mode when market characteristics (size, competition, etc.) and macroeconomic conditions (political, governmental, economic and social) determine the feasibility for one mode compared to another.

In choosing the penetration mode, companies generally consider two variables: the degree of risk and financial resources available on the one hand, the degree of control of foreign activities on the other. Therefore, small-medium sized companies will choose an initial strategy that requires less financial effort such as exporting or licensing; when these become larger and achieve good results, they may decide to establish a more direct presence in the market through a joint-venture agreement or FDI. This last point highlights an important fact: the choice of the strategic penetration is not static but subject to change if the conditions of the context require it.

In the case of the companies under investigation, all four approached foreign markets through the method of indirect exports: this means that companies do not directly manage the sales transactions in the foreign market, but use independent operators located on site. The decision to adopt local partners allows businesses to expand their sales without incurring large investment costs. In our case, we are talking about small to medium businesses with limited capital, which have to operate in many small and fragmented businesses, whose volumes individually would not compensate for the opening of branches in situ. All four have also found that use of people who understand the local market has facilitated the marketing of products as they more thoroughly understand the specific features of the market they are targeting. The choice of partner is therefore long-term (as the selection and evaluation phases of the results obtained require time and expenditure) and just as vital as the choice of products is to entering the market, as they must be able to valorize the supply and raise brand awareness.

"We have outsourced a lot of work by people in situ. We invest in people who can explain our products and then we hire them, leaving them free to act in their field of action ... so we invest in people: first you have to find the right people who know how to talk about you and know how to explain you to others. "
(CEO of firm B)

If the distribution and commercial aspects are handed over to these people, for the management of bureaucratic aspects, the companies have made use of local consulting firms, as they are familiar with all the laws and regulations regarding foreign trade in each location. They have oil producers at their sides in the complex administrative practices relating to international transport of the products, rates, tariff, and customs barriers.

As for companies A, B, and D they have pursued their international expansion following the same lines with which they began: through indirect exports. D, however, intends to open a branch in the future in those markets where business volumes have ample potential for growth, and will therefore be able to compensate for the size of the investment. Company C stands out in that in some cases (America and Poland) to its indirect exports, it has also added direct, in which case the company distributes its offers in markets outside Italy by using its own on-site commercial structure. This choice has given the company the opportunity to obtain benefits in terms of greater control over marketing activities, greater brand visibility and the minimization of the costs of the salaries of local partners. All of this has resulted in a more stiff company. Monini North America was founded in 2000 through the relationship of mutual trust between the owner and its Export Manager who had studied in America and wanted to return so his children could study and grow up in the United States. This office mainly manages the American market, which is notoriously complicated for its numerous rules on importation, especially in the food industry. This subsidiary was of modest initial size, and required a rather large financial and organizational commitment, but it was largely offset by the breadth and profitability of the market. This decision, which also allowed the company to expand and be successful in the Canadian market, has opened the possibility of offering extra virgin olive oil not only through the large retail distribution, but also through still-unused distribution channels such as that of Ho.Re.Ca.

Monini Polska is the second trading company controlled by the company which, starting from 2008, has taken full control of the Polish market. Before this date in that market, the company was able to obtain leading positions through the use of a valid direct distributor who, despite having created high turnover, nonetheless proved unreliable over time. Pushed by the unfortunate situation that had arisen due to the less-than helpful distributor, and open to the needs of the company, debate surrounding the decision to open a new own office arose. This market, unlike the American, enjoys greater autonomy. The 12 employees working there are distributed to cover each region of Poland. This choice, created purely by chance, has rewarded the company greatly, in that it has become the nation's leader in the extra virgin olive oil market.
Finally, it is important to consider the case of the Australian market: this company stands out from the others for being the only one to have adopted for the this market the most expensive mode of penetration, namely that of foreign direct investment.

Strategies for the management of the product in international markets

Having arrived at this point in the analysis, it is a good idea to begin to take into consideration the variables that companies study in making their products more attractive than the competition’s. Essentially it comes to setting prices for products sold abroad and whether or not to adapt the product to local preferences. With regard to price policies firms must take into account the fluctuations in exchange rates, inflation, possible government interventions in the form of subsidies or taxes (the latter are used to limit the influx of foreign goods and encourage local producers), the internal competition and the different needs of the market. Very often it happens that in emerging countries companies charge lower prices since consumers have less disposable income than those of the US and Europe (price adaptation).
Regarding the choices to make about the products, businesses must determine how much benefit they derive from a global or standardized approach with respect to the possibility of increased sales obtained by trying to satisfy the preferences of each

foreign customer. In making this assessment firms must try to minimize the sum of the cost of the product with that of non-sale. Having said that, let us now see how the four companies have addressed these choices.
In offering their oils through the GDO, the choice of the characteristics which the oil must possess to meet the expectations of customers of different countries is undoubtedly complex, as it is conditioned by numerous factors that are not always controllable by management. Each company had to identify the strengths and weaknesses of their oil compared to the competition and in relation to customer preference. The variables they analyzed to guarantee the success of the oils in foreign markets are the result of a balance between quality, price, and product customization.

Quality and Price

They all found themselves in agreement that their strategy is based on offering quality oils in the medium-high range and, therefore, not products that boast price leadership. While this can be advantageous for the initial assault on a new market, it is not an advantageous long-term strategy.

"It is a strategy that we do not follow with pleasure. If you start with a strategy of very aggressive prices, with many discounts, the consumer will consider it to be a product that they will only buy during the period of huge discounts. From the moment you take away the discount, you no longer sell a bottle. "
(General Director of firm C)

Even if all four find themselves unanimous in holding quality as the trump card in all markets, each of them is characterized by its special features through which they seek to obtain better margins than the competition.

Company A: the brand is quite young and only recently, both nationally and internationally, has it begun to acquire recognition. Therefore, they have linked the search for quality to the differentiation of heir oil introducing an assortment of products that is different from that of competitors for the depth of its range.

Company B: Before placing a product on the market, a family member checks it personally; the presence of having one’s own oil mill enables it, in fact, to follow their own oil "from the earth to the shelf." That is the value added to the quality that the company wants to convey to customers, proudly boasting its history of over two hundred years of experience.

Company C: The price is the last variable considered in implementing its product strategy. Taking advantage of its leading positions in Italy in the quality and volume of extra virgin oils, it tries to maintain the same approach in foreign markets even if, occasionally, higher prices have delayed its position. Following this line, it is hopeful that the market will, over time, begin to appreciate its distinctive qualities.

Company D: Quality is a prerequisite but not a differentiator. The strategy is based on two fundamental elements: the offer of a wide range of different oils and continuous innovation. Being a young company and having centenarian competitors, they try to win the market with innovative products, also from the point of view of the use of oils. They consider specialist oil poles with an assortment that can satisfy customers from any country, with any preference. It is the only company that uses the traditional large-scale retail distribution channel alongside the Ho.Re.Ca., having a wide range of products specifically dedicated to food.

"We can go from a customer in the Maldives, with oil for frying, to olive oil of the first price you need in the kitchen, to regional oil or mono cultivar to be put on the table by the customer, and this can be a very important service for a customer who, with a single point of contact, can cover the entire range."
(CEO of firm D)

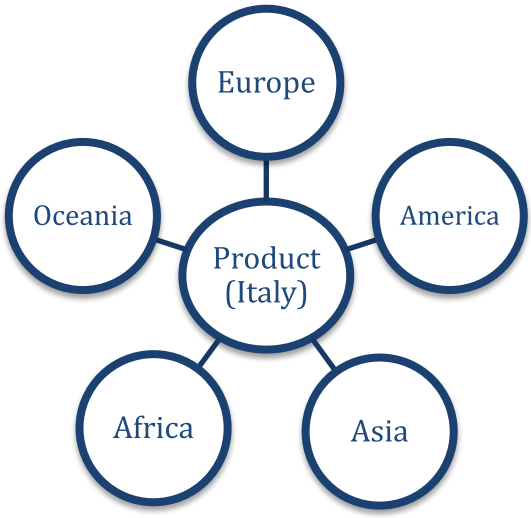
<u>Adaptation and Standardization</u>

After analysis of the strategies that each company has adopted in terms of quality/price ratio, it is good to look at another key element that every company faces when it decides to expand its horizons: how it should adapt its offers to local tastes and customs. This will be addressed below by making a distinction between oil adaptation and the adaptation of packaging.

• OIL:

In this case, what they have unanimously stated can be summarized in the following figure:

Fig 5.4 – Olive oil standardization



(Souce: personal elaboration)

As the graph shows, the product packaged and sold in Italy is the same in the rest of the world, therefore the organoleptic characteristics of the oils have not been adapted to local preferences. Although, this argument has often been a discussion point for companies, it seems that companies B and C are more determined on this issue. Both have never descended to compromises and, in the conviction that their product has superior distinctive qualities, they indiscriminately export all over the world. The oil sold in Rome is the same as one would find on the shelves of New York or Hong Kong. Surprisingly, it was a reverse process: they are not companies that have adapted to the local consumer uses, but those who wanted to change the culture of the latter. Convinced that extra virgin olive oil is the best fat available for human consumption, they are still confident in exporting it the hope that the strong and pungent taste will someday be appreciated.

"It is action by education, so that the public is able to identify what is the added value of that specific flavor profile, which is actually the strength of the product."
(CEO of firm B)

Therefore, proud of their product and the dedication they have proffered over years of history in the creation of a unique taste, they are confident that when the culture of healthy eating is understood by all, those things considered as flaws today (e.g. the strong and bitter taste) will be seen as strengths due to their antioxidant qualities.

That view differs slightly from that of the companies A and D which, given the age of their brands, while maintaining high standards in terms of quality, have made mixtures with more delicate sensory profiles that are better suited to the tastes of Asian consumers so as to better penetrate the market. The sale of olive oil in Eastern areas is complex. Olive oil is not known in all areas as a condiment. Also, its strong flavor can be a bad fit for the delicate flavors of oriental cuisine. The simple bottle of oil for many, in these areas, is often given as a present for celebrations such as Christmas or New Year's Day as a symbol of the specialties of the Mediterranean Diet. However, in most cases it is not used, and kept on display in the kitchen to as a testimony to status instead of being used to flavor food: it is in these cultures that olive oil comes from the concept of commodity and is embodied as a luxury product.

- PACKAGING:

This issue concerns all the decisions that have to be made in terms of adapting the packaging of oils to foreign customers' preferences or not. For each company, choices regarding this aspect have been among the most important. Packaging not only performs the function of protection (glass is recommended, as it best maintains and preserves the properties of the product) and information (strict rules are envisaged for terms of labeling for food), but it is also an important communication vehicle that allows one to distinguish between one oil and another on the shelves. In this case, all respondents agreed upon the importance of the adaptation of packaging to various geographical areas. The packaging is continuously adapted: Different culture, different packaging; but it is the same product for everyone. It is obvious that this entails very high costs, due to the work of people who have the role not only of interpreting the aesthetic tastes of each particular market, but also of monitoring regulatory changes in terms of labeling and adapting them to the local language.

"In packaging, there are those who want it simple, with raw paper, and those who want it stylish, with gold paper ... it depends on the culture, and it is important to make the right mix between what the consumer perceives, how much they are willing to pay and what they want to taste. Since the variable is the packaging, and the price and the product for us are those, we vary packaging to adapt it to the market "
(CEO of firm B)

5.3.4 The results achieved

For companies opening to international markets on the one hand can be considered a threat since it exposes them to an increased competition, the other creates the opportunity for them to increase their volume of business, to assert its position abroad and to develop those critical factors of success that it enjoyed in the domestic market.
Having arrived at this point of the analysis, it is good to evaluate the consequences that the choice of internationalization has led to the four companies. It being understood that the main aim of all the companies was to grow their business in terms of volume and profits, given the saturation of the domestic market and to ensure the activities' greater stability (by operating in more markets, one has multiple sources of income and lower risk), it will be explained what role the process of internationalization played in enabling the enterprises to achieve not only these goals, but also to obtain totally unexpected benefits. They all agree that going abroad has not only contributed to a growth in business volume and therefore profits, but has also achieved excellent results both at the organizational and cultural level of business. Regarding the first aspect, namely the expansion of oil sale volumes, the recent trend in all the companies has been to orient their expansionist aims towards the Middle and the Far East. However, the international choices of each evolved in a quite similar way: all have expanded their

markets since the early nineties, and initially they were directed towards the business of continental Europe. Success allowed them to watch the overseas countries with interest and establish their first contacts with the Americas; only in recent years they have begun to approach the Asian markets, considering the African continent as being on the periphery of their priorities.

Looking at the results at an organizational level, working with other countries meant aligning the entire organization to the standards that normally were superior to those of the companies that do not dialogue with other countries: for example, working with Japan and with the United States led to numerous efforts at the level of certifications, punctuality and logistics, which allowed the company to enhance its flexibility in terms of structure. The latter has benefited in terms of size: the emergence of new offices dedicated solely to internal quality control, packaging and shipping, given the fact that the Italian consumer, as regards this aspect, it is not as demanding as the Asian one, which requires a perfect product from every point of view. For this reason, companies have experienced an overall increase in skill and business knowledge due to the interaction of an increasingly extensive network and qualified professionals who allow them to address various issues in a more competitive and dynamic way than their competitors do. At the social level, the growth of the company has also determined an increase in employees, and therefore the number of workers, a not-insignificant factor in a slow economy such as Italy, where the level of unemployment is among the highest in Europe.

Another important aspect to remember concerns the cultural benefits that the staff of all four companies discovered. Internationalization involves confronting new uses, new habits, new people (even internal employees who come from other parts of the world) and new countries. The entire management results in an enriched mentally. The know-how acquired new skills for the development of products that can meet the needs of different markets: through talking to importers in markets outside the domestic sphere, one learns about needs which, although present at home, had not yet been noted. I conclude by saying that what was observed during the talks was the pride with which the interviewees stressed not so much the economic success, but their own personal satisfaction at seeing their beloved brand become famous and spread all over the world. It is the latter concept, namely that of pride towards their product and their companies that probably holds them back in the establishment of strategic alliances. Small companies, with the same product and the same vision abroad would surely have had considerable advantages in sharing risk, financial resources in winning the competition with large enterprises, most of them Spanish.

What follows are two a summary tables regarding the former topics analyzed. The first, made through the results obtained with the use of the GT, shows the reasons and incentives that have led companies to expand, the time, the entry strategies adopted, the initial and subsequent markets achieved and, finally, the target markets of current strategies. The second one shows a comparison between what has been observed empirically and what is reported in the literature about the internationalization of small and medium-sized enterprises.

Fig. 5.5 – Firms' internationalization stages

Firm	Company founding	Reasons	Incentives	Date of first export	First market reached	Entry strategy	Number of markes reached	Target markets
A	1968	High level of saturation and competition of the Italian market; growth	Worldwide success of the "Made in Italy"	1992	Romania and U.S.A.	Indirect exports	>100	Asia
B	1780	Volume balance between domestic and foreign markets; growth	Success achieved in the domestic market	2007	European countries	Indirect exports	>100	Asia
C	1920	Risk diversificatio n and revenues; growth	Oil demand from Denmark; Foreign virgin markets.	1975	Europe and North America	Indirect exports. Subsequent ly also direct export in U.S.A. and Poland. FDI in Australia	50-60	Asia and Oceania
D	1983	Fast investments returns; growth	Lower entry barriers for the large retail sector	1999	Germany, Brazil and Taiwan	Indirect exports	>120	Asia

(Source: personal elaboration)

Fig. 5.6 – Comparison between theoretical and empirical evidence

	SMALL-MEDIUM SIZED INTERNATIONALIZATION THEORY	A, B, C and D INTERNATIONALIZATION
REASONS OF INTERNATIONALIZATION	• Research of profit; • Strengthen of the brand; • Follow competitors that go abroad; • Research for cheaper countries for production factors; • Satisfy foreign customers; • Entrepreneur's mindset.	• Worldwide success of the "Made in Italy" for the agro-food sector; • Managers' conviction of the superiority of the Italian olive oil; • Existence of countries that cannot use olive oil as condiment; • Willingness to export the culture of healthy eating.
COUNTRY ANALYSIS	• Culture analysis; • Administration system analysis; • Geographic analysis; • Economy analysis.	• Eating habits; • Degree of olive oil acceptability in a given country; • Perception of the Italian food abroad; • Presence of the bourgeois class since it is considered economically and culturally ready to buy a high-end product.
ENTRY MODES	Exporting is the simplest mode of internationalization for medium-size since it implies limited financial resources and lower risk.	All four companies use exports. However, the Australian market has entered through a FDI (the most challenging entry mode) planting olive trees of Italian origins.
STRATEGIES: PRODUCT, PRICE AND PACKAGING	**Product characteristics:** • Adaptation; • Standardization **Price policies:** • Adaptation; • Standardization **Packaging characteristics:** • Adaptation; • Standardization	**Product characteristics:** • Total standardization (the olive oil sold in Italy is the same in America and in Asia); • Quite total standardization (some of them created a bland more delicate for Asian people) **Price policies:** • Total standardization (medium-high range all over the world) **Packaging characteristics:** • Adaptation (American people prefer simplicity, Asian people want elegance since the product represents a status symbol)

(Source: personal elaboration)

5.4 DISCUSSION

The purpose of this research was to analyze how the gradual involvement of some Italian oil mill companies happened in the scenario of international markets. The study involved four small businesses that, however, in the oil sector represent some of the most important players in terms of business volume. Until about twenty years ago, they had pursued a strategy that was confined to national borders that enabled them to achieve excellent results. The stillness and the saturation of the domestic market subsequently brought them to look towards the international market as the only solution to maintain their level of constant sales, and possibly to make them grow. In fact, all were very solid in the internal market and therefore able to be able to develop a challenging strategy for internationalization. In addition to financial resources, the presence of dynamic entrepreneurs who are open-minded and forward-looking to new horizons has allowed them to make that choice successfully.

These companies were aware of the changes that the world economy was undergoing: globalization, which in the past, as now, changes the competitive environment in which companies have to operate. National boundaries are becoming increasingly blurred, and the world is on the verge of becoming one huge market. The emergence of such a scenario is also thanks to the development of the network and to the Internet, which allows the flow of information and the shortening of time and space distances. Surprisingly, this phenomenon has also particularly affected companies in the food sector, such as those discussed here. Through the web, consumers' ideas and opinions are exchanged regarding the quality of products, creating a set of references. It is almost like a CV on the web, which includes oil, and therefore influences purchases. Even oil, therefore, is becoming a "social" good. Through online consumer opinion, there is the birth of this new form of marketing. Potential consumers, therefore, are no longer influenced in their purchases by what the company has to say about its products, but by the opinions of those who have tried it. Therefore, it is impossible to block the opinions of consumers on platforms with global access. The transformation of a controlled variable from a marketing standpoint to one uncontrollable by companies is one of the major concerns that have arisen for entrepreneurs. This aspect was particularly stressed by the CEO of company B, which has been trying to overcome the obstacle by leveraging the choice of extremely high quality oils to be marketed. Certain that their product is of a high organoleptic standard, they were extremely against the idea of offering mixtures that would be able to attenuate the strong taste of extra virgin olive oil to make it accessible to more delicate palates. The result is more than surprising: unlike what happens in almost all cases, which see the entrepreneur bend to the will of foreign consumers in order to sell their product, in this case, the opposite happened: it was the other cultures which changed, convincing them to accept one of the key products in the Mediterranean diet.

In Italy, the concept of the Mediterranean diet has always played a key role in consumer food choices. It is based on this aspect that the strategies of the four companies under study were created. They have also reproduced their national strategy in foreign markets by leveraging the "country of origin effect". In the highly competitive and globalized world of today, playing on geographic origins as a strategic tool has been a trump card due to the fact that Italy, and everything Made in Italy, enjoys a very positive reputation, especially in the food industry. Even if Italy is a small country both geographically and demographically, even if it does not have important raw materials, despite the public and bureaucratic inefficiencies present in the system, the key to the success of Made in Italy in the world is found in inimitable resources: aesthetic taste, creativity, a food tradition that goes back thousands of years and strong entrepreneurial skills proficient at promoting the uniqueness of Italian products. The main advantage for the competitive purposes of Made in Italy, in addition to the high brand recognition, lies in its ability to be the undisputed leader in market niches such as extra virgin olive oil: the small size of the companies studied and their purely artisanal production has allowed them to offer a high-quality product. This is the main reason that led company C to plant an olive grove in Australia: the approximately one hundred thousand olives trees (whose varieties are Frantoio, Leccino, Moraiolo and Pendolino of Umbra origin) were all imported from Italy. In this case, the entrepreneurial vision in the production, in the creation and marketing of the products are married to Italian excellence: in fact, the seasons are reversed in the southern hemisphere of the globe, and this has allowed them to produce new oil of excellent quality six months before that which is pressed in Italy. With about ninety tons of olives harvested daily, the Australian grove allows the company to raise its resources not only to meet the local business (Australian) demands, but also those of neighboring Japan and China, the latter target markets of all four companies.

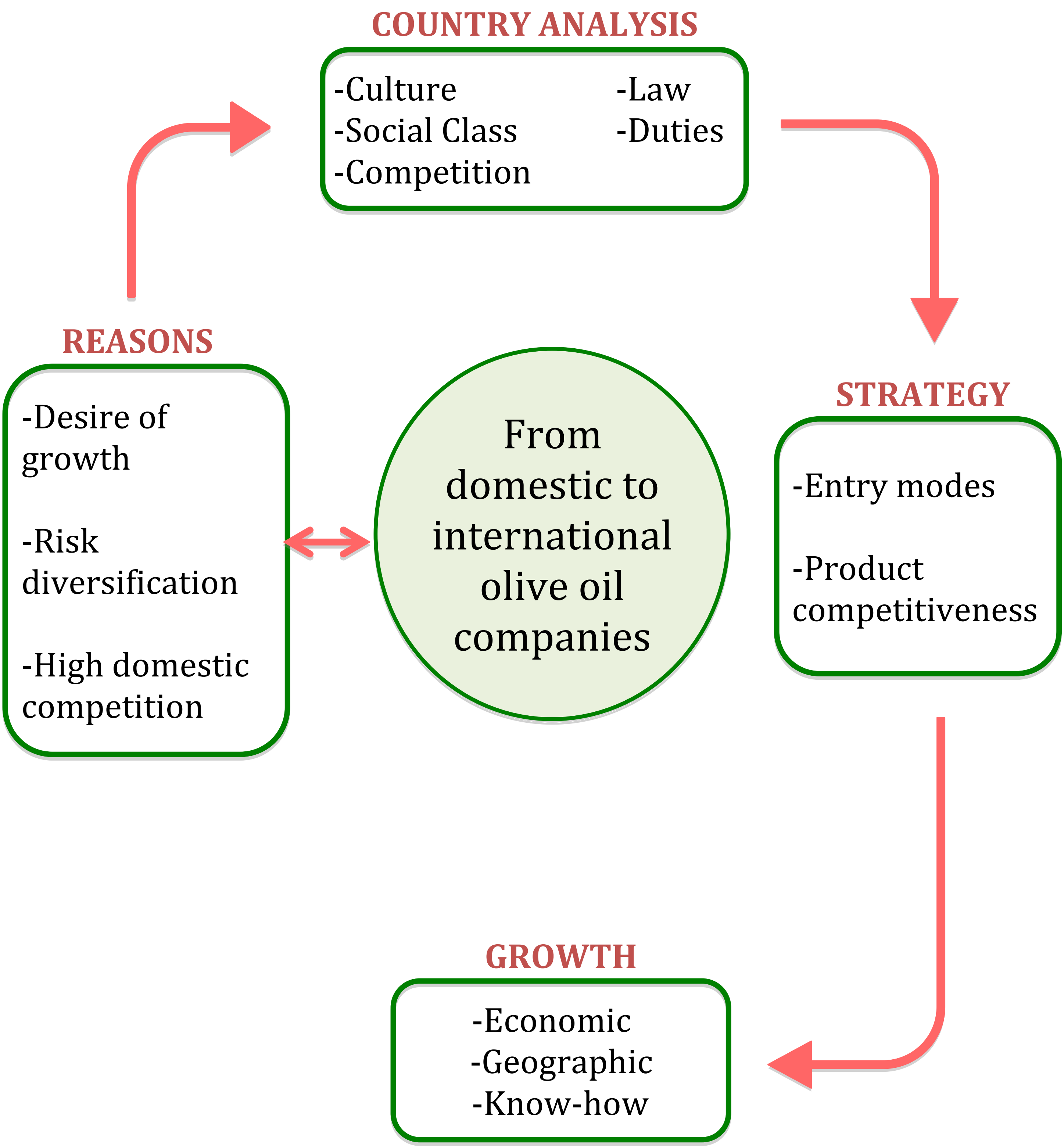
However, while constituting the expansionist desire of many companies not only in the oil sector, geographical and psychological distance makes entry into the Asian markets problematic. There are many barriers to be addressed before fully understanding a market so complex, one which differs from the others even in the way they purchase items: consumers buy everything almost exclusively online; even oil. For this reason, companies have to expend more effort in trying to create virtual networks that will enable them to promote product sales. It is also important to consider the strong feeling of confidence in both people and price: very often people buy the products they see being used by people they respect and admire. They follow the tastes of people they trust; the price of the product, then, must fully reflect the promoted quality. But it is not enough to consider cultural differences, nor the possibilities of growth of these markets, one needs also pay attention to another kind of observation in this regard: definitely a population with an entrepreneurial spirit, driven by impressive imitation skills are surely already thinking about creating their own crops and, therefore, obtaining a low price for all oil.

These entrepreneurs, despite always ending up competing against each other, are defined as "fellow travelers" in bringing Italian excellence abroad. During this process they have often faced unforeseen difficulties and pitfalls that have forced them to revise and change their initial strategies. Very often the policy changes were not only influenced by external factors, but also by all those difficulties international companies face in terms of the range of human resources, meaning their views, habits and expectations. However, the diversity of human capital working in such firms has also proved a factor in competitiveness: the co-existence of skills, experiences and different views allowed them to grow and innovate before competitors who do not operate internationally.

This work has revealed the gradualness with which the iterative phenomenon of internationalization springs, how it is implemented and how it consolidates; a growing number of foreign markets is drawing the attention of managers so as to make their businesses more and more prosperous, create jobs and spread the culture of extra virgin olive oil in the world.

The following chart schematically summarizes the stages through which the process of internationalization of the four companies examined developed.

Fig 5.7 – Main steps of the international expansion

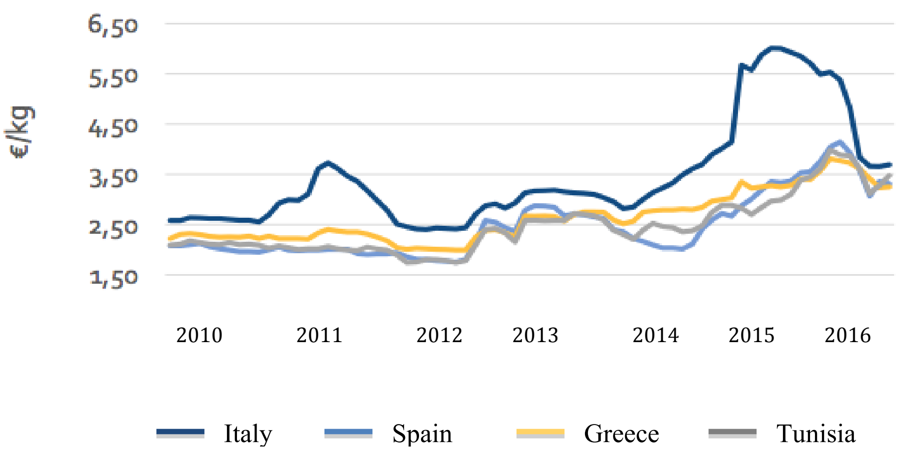


(Source: personal elaboration)

CONCLUSIONS

The transformation of the olives in olive oil represents the end of a long path that begins with the planting of the olive trees. This product for the Mediterranean populations is a fundamental element of the agricultural sector and contributes to the prestige of the Italian agro-food sector in the world. It is defined as a "concentration of health" and Italian companies leverage this concept in the promotion of Italian culinary culture abroad; therefore, their strategic decisions are based on the continuous improvement of the nutritional, therapeutic and hedonistic elements of the product and on the promotion of the added value given by the existing link between the final product and its cultivation area since in each production area there are different traditions and cultural techniques. It is around this point that the companies try to succeed internationally, or offer an excellent quality product that is placed on a medium-high price range as well as to offset the high costs of production and be able to be more competitive in a market characterized by extremely aggressive competitors. The following graph confirms what was just said about the Italian olive oil prices.

International prices of the extra virgin olive oil

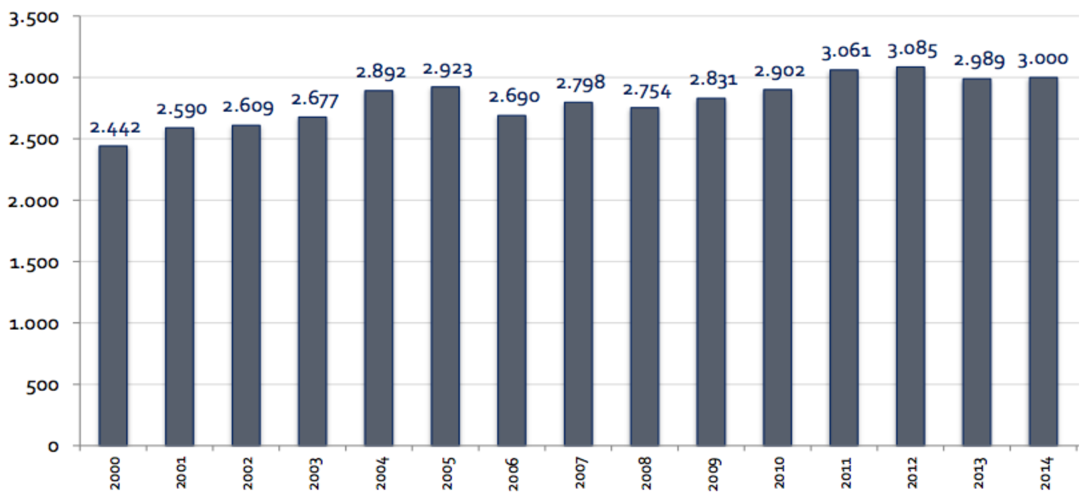


(Source: www.ismeamercati.it/olio-oliva)

The extra virgin olive offered by Italian companies has an international price certainly higher than that of its main competitors such as Spain, Greece and Tunisia.

Therefore, enhancing and typifying the product by focusing on qualitative valuable productions is the trump card that will exploit the enormous potential success offered by the market, given that the current consumption of olive oil is estimated to be around 3% of vegetable oils. Even more the current oil demand for olive oil, although increasing slowly (1% per year), shows a steady trend that implies a good possibility for growth in those countries where there is still no consumption tradition. The chart shows the world consumption of olive oil (data are in thousands of tons).

Olive oil consumption

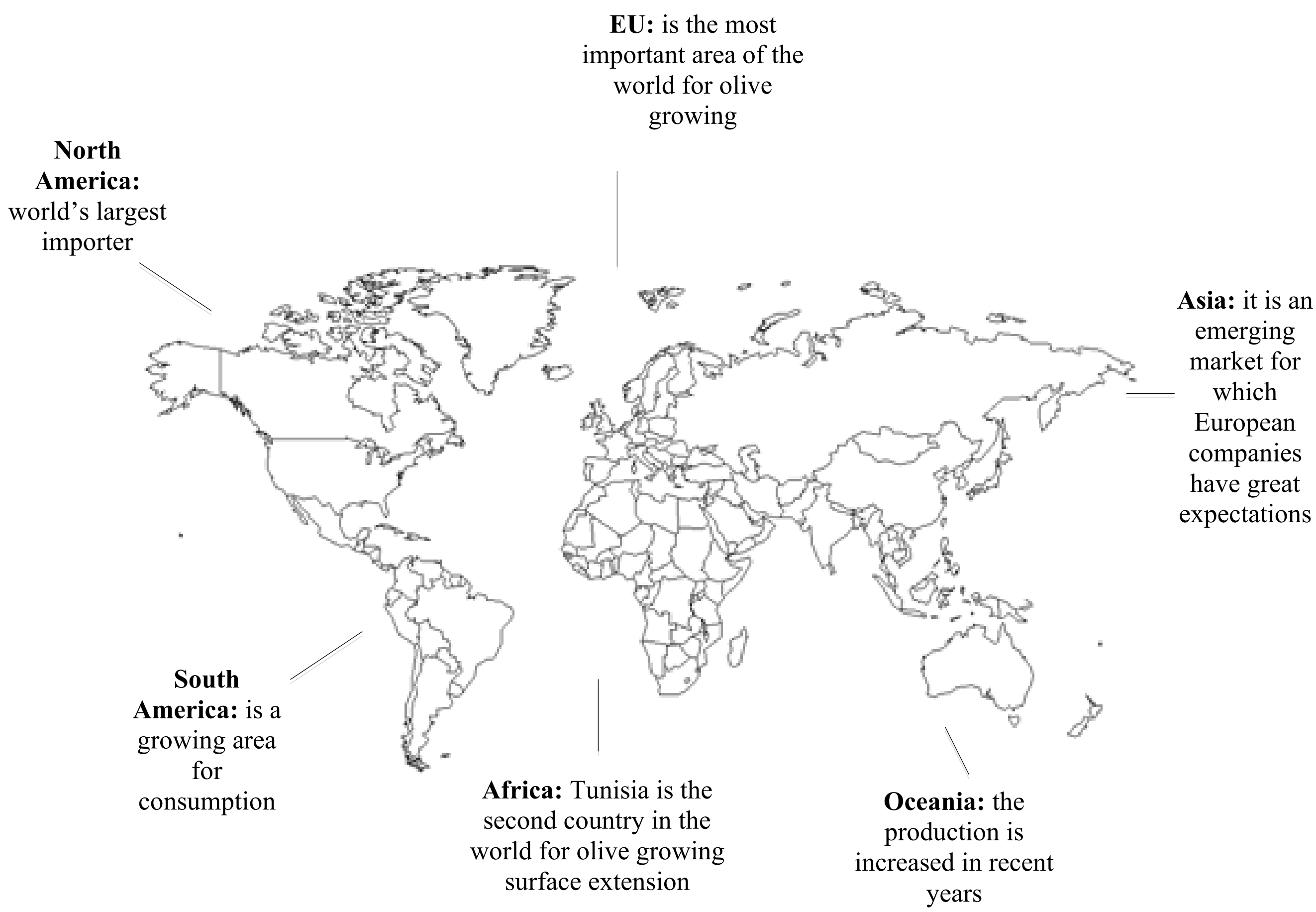


(Source: www.ismeamercati.it/olio-oliva)

Despite that there are still geographic areas where the use of oil is almost or completely marginal, the phenomenon of globalization determined a convergence of tastes leading companies to offer their products in all five continents and in almost all countries, albeit with different degrees of capillarity. So, small and medium enterprises in the sector were found to project their activities outside the domestic borders due to choices dictated by the market rather than by the management. Because of their size they had to face the process of internationalization cautiously given the limited funding available; although this may seem a limitation, actually it turned out to be a huge advantage since their structural flexibility allowed them to limit the negative impact of the recent economic crisis. This flexibility stems not only from the size, but also from the fact that business activities are in the hands of the founding families who are adept at making decisions quickly. The medium size and hence the modest availability of organizational

and structural resources have resulted in an approach to the markets that took time, required gradual steps for the execution and that started through exports. The process began by considering the neighboring countries of continental Europe, with particular interest towards Germany where Italy, actually, controls 3/4 of import; even more Germany is the second largest importer of olive oil in the world after the United States.
The success achieved in the countries of the European Union has pushed companies to further expand their horizons to North America that has appeared to be a market with a good chance of profit despite the presence of numerous brands on site. The foresight rewarded the Italian entrepreneurship: at present, thanks to its dynamism, the Nation largely maintains the lead against Spanish, Greek, Argentine and Tunisian suppliers. Currently, while companies have well-established market share in European markets and in those of Northern America, they try to attack the new emerging markets putting a lot of expectations in that of China, Japan, Russia and India although they are extreme distance from the culinary tastes of the Mediterranean diet, thus intimidating the expansion in these regions. The following image shows the current situation of the international scenario in which companies operate:

Olive oil in the world



(Source: personal elaboration)

At this point a question arises: from what emerges the success of these businesses?
There is no doubt that the obstacles they face are not few: they have been found to compete with exporters (in particular with the Spanish) who tend to a price race to the bottom, they have dimensions that do not allow the achievement of so-called "critical mass", they show a poor ability to aggregate and therefore little aptitude in making "system", they have to support high labor costs, they are having to stem the problem of abandonment of the cultivation of olive and olive-growing erosion of the territory, they operate in a fragmented sector due to the small size of companies, they often have to contend with delays in the application of research results and must cope with the economic cycles characterized by market growth and crisis phases that determine, the latter, a drop in consumption.
Is it clear that answering the question above is not simple. However, the passion, the ambition, the inventiveness characteristic of the Italian entrepreneurship and the innate ability to understand the consumer have enabled companies to grow and compete with the biggest players in the market leveraging their strengths such as the ability of Italian millers to produce large quantities, high levels of know-how achieved in this area, the remarkable ability to differentiate the product both in type and taste (think about DOP and IGP), the ability to acquire shares in foreign markets due to the positive impact of "Made in Italy", the growing sensitivity of consumers towards buying quality production and, ultimately, the greater risk aversion and prudence with which families manage their firms: a result of efforts and generational sacrifices.

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LIBERA UNIVERSITÀ INTERNAZIONALE DEGLI STUDI SOCIALI

Department

Business and Management

Chair

Corporate Strategies

Summary of the Thesis

OLIVE OIL GOING INTERNATIONAL: A FIELD STUDY ON A SAMPLE OF ITALIAN FAMILY FIRMS

Supervisor

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Academic Year 2015/2016

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INTRODUCTION

The scope of this thesis is to investigate how the internationalization process has involved the Italian agro-food sector; this kind of analysis has been done considering some Italian medium-sized enterprises that operate in the olive oil business, performing activities for its bottling and sale through large retail distribution. The interest in this subject arose from the curiosity to see how some companies working in this industry have adapted their strategies to an economic environment totally changed by globalization. This paper consists of five chapters that can be summarized as follows.

The first chapter analyzes the main phases of the olive oil spinneret (the cultivation of crops, the olives processing and the packaging and sale) that allow the transformation of the fruit that is obtained from the plant into the finished product. The second chapter analyzes the main rules governing the olive oil sector from an international point of view focusing on the European legislation and World standards that regulate this sector. Therefore, regulatory fields analyzed in this chapter are the regulations issued by European (European Parliament and European Commission) and world institutions (IOOC and Codex Alimentarius) regarding the classification of olive oils based on physic-chemical parameters and the obligations in terms of labeling in order to ensure the proper sale to the final consumer. The third chapter analyzes the internationalization process at the theoretical level. It begins with a general overview of how this issue has been covered by the various authors of the past and, after this brief review, the chapter addresses the issue of internationalization considering how current studies have covered this phenomenon. The fourth chapter provides a theoretical explanation of the Grounded Theory. This theory, proposed by Juliet Corbin and Anselm Strauss, allows the development of a theory regarding a specific phenomenon under study through an inductive and a reiterative process that is based on a qualitative research method.

The fifth chapter, finally, puts into practice the research method proposed by the Grounded Theory for the study of the international expansion process carried out by the four companies; this phenomenon, thus, is examined in all its passages. The data collected through semi-structured interviews with the owners and employees of companies allowed the development of a general theory about this subject. The areas analyzed are: the reasons of internationalization, the choice of countries to be achieved, the strategies adopted to gain market share and, finally, the results achieved.

CHAPTER 1: OLIVE OIL SPINNERET

1.1 CULTIVATION OF CROPS

This first stage includes the choice of the location where the olive plants will be planted and, once the best points where to plant have been decided, the holes are dug at approximately one meter in both diameter and depth. At this point, the next step regards fertilizing the plants. The scope is to obtain a balance between vegetative growth together with a constant production over time. The quantity of the fertilizer to use depends on various factors such as the nutritive availability of the terrain and the efficiency of the fertilizer used. The last moment of this phase is about the process of pruning the olive trees; the scope of this activity is to guarantee a vegetative balance of the plants by verifying the growth of branches and the development of the fruit. A period during which the leaves fall is a possible indication of any imbalance that might necessitate a technical intervention.

1.2 TRANSFORMATION

This phase starts with the olive harvest; the choice of the period to perform this activity is very important since it has implications in the final quality of the olive oil and depends on several factors such as the cultivar (type of olive), the environment, atmospheric conditions, color of the olive, softness of the pulp, and final consumers' preferences. Once the olives have been harvested, they are placed in perforated plastic cases to ensure the passage of air; at this point they are ready to be peeled and washed. The next steps consists in:

1) Milling the olives to break the oil-bearing cells to facilitate the leakage of oil. The result is a paste containing the oily must formed by oil and water.
2) Olive paste malaxation through which the oil present in the paste is aggregated in larger drops;
3) Extraction of the oil from the paste;
4) Separation of oil from the vegetation water through vertical centrifuges;
5) Conservation of the olive oil in stainless steel containers;
6) Filtration for removing suspended solids through the use of apposite filters.

1.3 PACKAGING AND SALE

Before its sale, the olive oil is subject to a series of analysis for two main reasons: first of all they are needed to guarantee to consumers the quality of the products and to see if during the spinneret possible errors have altered the parameters established by legislation; secondly they serve to avoid commercial fraud due to the merge of oils with different characteristics. After this moment the product is ready to be sold: packaged, generally, in bottles of glass that better maintain its quality, the olive oil is ready to reach the final consumers through three different kind of distribution channels that can be summarized as follows:

- Producer-consumer;
- Producer-transformer-consumer;
- Producer-bottler-consumer

CHAPTER 2: OLIVE OIL LEGISLATION

2.1 EUROPEAN LANDSCAPE

The policy of the European community concerning olive oil has undergone many changes over time. The importance of olive growing in many member states and the EU dominant position on the world oil market, means that more attention has been gradually paid to improve the quality of the olive oil supplied and on protecting the consumer. This was necessary because of a disrupted market by prices that often did not correspond to the expected quality and thus confused them. In the pursuit of quality and consumer protection, the European Commission uses multiple Community regulations; to date the most important are four: the Reg. CEE 1308/2013 which classifies the commercial categories of olive oils; Reg. CEE 2568/91 concerning the methods of analysis to which each category must be submitted; Reg. CEE 29/2012 concerning rules in the field of labeling and commercial trade and Reg. CEE 510/2006 that is about the production of GDP and IGP olive oil.

2.2 WORLD LANDSCAPE

Outside the European community there is an international organization that works to define technical and commercial standards regarding all categories of olive oils: it is the International Olive Oil Council (IOOC). Born in Madrid in 1959, it has the role to standardize the various classes and the various characteristics of olive oils in all areas of the world where olive oil is produced and commercialized. Other important roles played by the IOOC are to promote the consumption of this product through innovative campaigns, provide useful information about the olive oil market and encourage international cooperation in research and development for this sector. All countries that do not adhere to the IOOC (USA and Australia) rely, for what concerns olive oils and other foods, to the technical and commercial standards dictated by the Codex Alimentarius, which is the world organization that, linked to the WTO, legislates on all food globally. Born in 1963, Codex Alimentarius *"is about safe, good food for everyone – everywhere"(www.fao.org)* and contributes to supply international standards and guidelines to promote quality, safety and fairness of the international trade of food.

CHAPTER 3: HOW FIRMS BECOME INTERNATIONAL

In this chapter will be discussed at theoretical level the process of international expansion that has involved a growing number of companies over the last few years. After a general overview of the economic literature in the field of internationalization, this process will be analyzed in terms of strategic and organizational decisions that, according to current studies on this topic, companies face every time they decide to expand across border.

3.1 LITERATURE OVERVIEW

The origins of internationalization are distant and commercial trade had extended beyond national boundaries even before the industrial revolution. Economic literature on this topic has begun to deal with this theme for a long time and, while the first theories were centered on the analysis of trade flows taking place between nations, the more recent studies have moved on towards the analysis of the behavior of individual firms passing from a macroeconomic to a microeconomic perspective of the phenomenon. The most important literary elements are those provided by Smith and Ricardo of the Classical School, by the Oligopolistic theories of Hymer and Vernon, by the theory of transaction costs proposed by Coase and, finally, the eclectic theory proposed by Dunning who seeks to exceed the limits than the previous ones.

3.2 CONTEMPORARY STUDIES ABOUT INTERNATIONALIZATION

Nowadays facing the issue of foreign expansion for enterprises means to del with a global context completely changed compared to what was the background of past theories: globalization, due to the gradual disappearance of national borders, has resulted in a complete change in the global economic environment by ensuring that markets would become internationally open and that, therefore, goods and investments could flow more easily from country to country. This paragraph offers an overview of how the current studies address the issue of internationalization, from the moment companies are willing to expand to the analysis of the distribution channels used to reach a given market.

When a company decides to go abroad, this choice is influenced by both internal and external factors of the environment of the firm.

Among the internal factors, very often companies are forced by the desire to leverage their capabilities and distinctive resource, by the possibility to increase profits through the acquisition of new market shares, or by the volition to strengthen the company image. External conditions, instead, are to be found in the intense competition that is present in the domestic market, in trying to cope with the competitive threat of a competitor ready to implement its foreign expansion and in business opportunities that foreign markets may offer. Once companies decide to expand abroad, they must make some preliminary decisions such as which country to enter and when. The selection of the destination country is not always easy and depends on the assessment of the possible profits that are expected to be achieved in the long run; in this evaluation firms must find a balance between costs, potential benefits and risks associated with that particular geographical area. When the market to penetrate has been found and the competitive strategy is planned, the enterprise has to decide the entry mode or the "road to market" through which it can reach the target geographic area. The possible ways of entry (exports, licensing, franchising, Joint Venture or FDI) depends on the evaluation of two parameters: the financial-organizational effort required and the rooting potential in the foreign market. Once the new market is reached, companies are concerned with defining the competitive strategy to get space between the competitors and that allows them, in the long run, to gain a competitive advantage. It is in fact the goal of all companies that go abroad to increase their profits and perhaps secure a leading position in the market in this increasingly complex world. This issue becomes more and more difficult to achieve and requires considerable effort for companies not only in economic terms but also in cognitive ones in order to devise a strategy that, by balancing product, brand and price choices, guarantees its success. When the company has taken all the strategic decisions about what has just been analyzed, it should now be determined how it can reach end users. The choice of distribution channels is included in all the decisions that a company must undertake in the field of distribution; establishing the right structure of distribution is extremely important since it is difficult to change and initial wrong decisions may determine low returns.

CHAPTER 4: THE GROUNDED THEORY

The Grounded Theory is a scientific survey method that allows the successful conducting of qualitative researches.

It has been theorized for the first time by Barner G. Glaser and Anselm L. Strauss who, then, provided its first codification in 1967 in the text *"The discovery of Grounded Theory. Strategies for Qualitative research"*. At the classical approach of Glaser, who was on the original formulation of the methodology, there was the opposing view of Strauss regarding the conceptual-procedural approach that he had adapted, since the nineties, with Juliet Corbin.

This approach reverses the typical methods of doing surveys and it was proposed as a scientifically proven alternative to quantitative methods that, at the time, seemed to be the only ones able to explore reality in a rigorous way. Therefore, Corbin and Strauss in the elaboration of the research process, diverge from the traditional quantitative methods of that time that provided a linear progression of the main survey's moments in which the researcher is involved, in fact they proposed a qualitative research method that, instead, is characterized by a circular process in which the researcher constantly reformulates the search pattern in the light of the collected data, redefines the data collection instruments depending on the results obtained in phase of analysis taking decisions that are contingent and not always linear and planned in advance .

The inductive nature of this technique provides that the analysis starts from the observation of reality from which a theoretical construction will be developed: the researcher in fact, instead of checking a pre-existing theoretical assumption and test it, in his survey works from an area of study and observes the relevant phenomena that emerge from it; thus, the research can be guided solely by the data collected in the field during the survey itself (from which the "*grounded*" adjective, in fact, is rooted, based on the data). For this reason, the theory coming from a study conducted with Grounded Theory has a strong practical application value and therefore well suited to the methodological research contexts that require concrete practical implications and it is for this reason that, even today, the Grounded Theory is extremely effective especially in those areas where new phenomena need to be investigate.

CHAPTER 5: INTERNATIONAL STRATEGIES FOR OLIVE OIL COMPANIES. ANALYSIS OF THE PROCESS THROUGH THE GROUNDED THEORY

The aim of this research is to analyze the process of internationalization of some major Italian olive oil companies. Whilst studying the phenomenon has been used the Grounded Theory that has allowed a qualitative analysis of the collected data: its method appears particularly suited for the study of dynamic processes such as the process of internationalization. The chapter has been carried out following various stages of data collecting and analysis and can be divided in four parts: the analysis of area of inquiry, the description of the methodology used to collect information, the analysis of data and, finally, the chapter end with a brief discussion of the result obtained from this research.

5.1 AREA OF INQUIRY

The area of inquiry is Umbria, an Italian region where, since the end of the WWII, many olive oil companies have been created, developed and grew. Through time, these companies have asserted their position as the sector's leading brands on the international market. Hence, this research has been based on the curiosity and the efforts to find out how pressed olives may generate an international business. It began contacting some of the companies that I had previously selected upon their important business activities abroad; they are Costa d'Oro S.p.A, Farchioni Olii S.p.A, Monini S.p.A. and Olitalia S.r.l. All four companies have a common fundamental aspect: they were created as family-run businesses before they started approaching foreign markets in the nineties. Thus, the selection criteria can be summarized as follows:

- Olive oil sector companies that sell their products abroad;
- Italian family-run small and medium companies (50 to 100 employees);
- The sector's leading companies all over the world.

5.2 METHODOLOGY

The interviews were the data-collecting tool. More precisely, it was appropriate to make a semi-structured survey (it was allowed to audio record the conversations) with fairly broad questions. These questions (fourteen) enabled the interviewees to speak freely about their activities, anecdotes, and the highlights regarding their companies while remaining within the scope of the survey. The choice of the interviewees was made carefully and thoroughly: whenever possible, three representing people per company were selected and required to answer the same list of fourteen questions. The reason for doing so lies in the fact that confronting different people's points of view with their different roles gives a more complete picture of the phenomenon under study. The chosen interviewed all had main positions in their company's strategies of internationalization; indeed, the key people who contributed to this study were the owners, CEOs and export managers.

5.3 DATA ANALYSIS

This part examines four macro areas that explain how these companies have developed international strategies: the reasons for internationalization, countries analysis and selection, the strategy and the organization for the expansion and the results achieved.

- <u>Reasons for internationalization:</u> the main reason that brought them to look towards new markets is the stillness and the saturation of the domestic market. International markets seemed to be as the only solution to maintain the level of sales constant and as the only chance for a possible grow. In fact, all these companies were very solid in the internal market and therefore able to be able to develop a challenging strategy for internationalization. In addition to financial resources, the presence of dynamic entrepreneurs who are open-minded and forward-looking to new horizons has allowed them to make that choice successfully.
- <u>Countries analysis and selection:</u> in order to examine the scenario of getting beyond their national borders, a thorough information research was necessary. Competition, culture, social classes, economy, politic and duties are the factors that all four companies have examined before enter a new market. The process has been gradual

and started from European countries, followed by Northern America markets and most recently by Asian countries.

- Strategy and the organization for the expansion: for what concerns the mode of entry, in the case of the companies under investigation, all four approached foreign markets through the method of indirect exports: this means that companies do not directly manage the sales transactions in the foreign market, but use independent operators located on site. Just one company used also direct export and FDI. For what concerns the choices about the product, the decisions made by these companies provided a standardization of the qualities olive oil, a standardization of prices and the adaptation of the packaging.
- Results achieved: they all agree that going abroad has not only contributed to a growth in business volume and therefore profits, but has also generated excellent results both at the organizational and cultural level of the business.

5.4 DISCUSSION

The emergence of a globalized world, thanks to the development of the Internet and of the e-commerce, allows the flow of information and the shortening of time and space distances. Surprisingly, this phenomenon has also affected companies in the food sector, such as those discussed here. Through the web, consumers' ideas and opinions are exchanged regarding the quality of products, creating a set of references. It is almost like a CV on the web, which includes oil, and therefore influences purchases. Even oil, therefore, is becoming a "social" good. Through online consumer opinion, there is the birth of a new form of marketing that is becoming an uncontrollable variable by the firms: consumers trust other's people opinion more than the promotional message of companies. For this reason firms try to overcome this obstacle by leveraging the choice of extremely high quality olive oils to be marketed; certain that their product has high organoleptic standard and unlike what happens in almost all cases, which see the entrepreneur bend to the will of foreign consumers in order to sell their product, in this case, the opposite happened: it was the other cultures which changed, convincing them to accept one of the key products in the Mediterranean diet and, thus, leveraging the "country of origin effect" since Italy, and everything Made in Italy, enjoys a very positive reputation, especially in the food industry.

CONCLUSIONS

Olive oil is defined as a "concentration of health" and Italian companies leverage this concept in the promotion of Italian culinary culture abroad; therefore, their strategic decisions are based on the continuous improvement of the nutritional, therapeutic and hedonistic elements of the product and on the promotion of the added value given by the existing link between the final product and its cultivation area since in each production area there are different traditions and cultural techniques. It is around this point that the companies try to succeed internationally, or offer an excellent quality product that is placed on a medium-high price range as well as to offset the high costs of production and be able to be more competitive in a market characterized by extremely aggressive competitors. Despite that there are still geographic areas where the use of oil is almost or completely marginal, the phenomenon of globalization determined a convergence of tastes leading companies to offer their products in all five continents and in almost all countries, albeit with different degrees of capillarity. So, small and medium enterprises in the sector were found to project their activities outside the domestic borders due to choices dictated by the market rather than by the management. The medium size and hence the modest availability of organizational and structural resources have resulted in an approach to the markets that took time, required gradual steps for the execution and that started through exports. The process began by considering the neighboring countries of continental Europe, with particular interest towards Germany where Italy, actually, controls 3/4 of import; even more Germany is the second largest importer of olive oil in the world after the United States.

The success achieved in the countries of the European Union has pushed companies to further expand their horizons to North America that has appeared to be a market with a good chance of profit despite the presence of numerous brands on site. The foresight rewarded the Italian entrepreneurship: at present, thanks to its dynamism, the Nation largely maintains the lead against Spanish, Greek, Argentine and Tunisian suppliers.

Currently, while companies have well-established market share in European markets and in those of Northern America, they try to attack the new emerging markets putting a lot of expectations in that of China, Japan, Russia and India although they are extreme distance from the culinary tastes of the Mediterranean diet.

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