

Me Late Chocolate: Colombian Chocolate in the Danish Market*X-Culture: Team 57**Page Count: 47**Submitted: March 24th, 2016*

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Executive Summary

- *Company Analysis:* This section covers the company history and a SWOT analysis for Me Late Chocolate which was founded and is currently located in Medellin, Columbia. The company manufactures and sells artisanal, high-quality chocolates made with entirely Colombian ingredients. Although Me Late Chocolate may be small, it is extremely interested in expanding abroad.
- *Market Success Criteria:* This section contains information on the several key factors that were used to identify the market with the most potential for Me Late Chocolate. The five key factors used were income levels, ease of doing business, political and legal systems, cultural tastes based on indulgence, and climate. All countries were considered and eliminated based on the five outlined criteria, using Colombia as a benchmark.
- *Market Selection and Analysis:* Based on the market success criteria, five potential markets were identified as being similar or favorable to the Colombian market: Denmark, the United Kingdom, Sweden, and Australia. Denmark was selected as the most viable country to expand to, and this section provides an in-depth analysis on the Danish market.
- *Entry Mode and Distribution:* Me Late Chocolate's products should be directly exported with the assistance of a Danish distribution team. Three potential distributors were selected, and ScanChoco was identified as being the best potential distributor to work with. Contractual considerations are also outlined in this section.
- *Pricing:* This section offers a cost analysis considering various margins that distributors and retailers may apply, in order to gain an understanding of potential price points for a Me Late Chocolate chocolate bar in the Danish market. In order to maintain existing profit from each chocolate bar sold, the selling price will be between 125 and 198 DKK, allowing the product to be positioned as premium. Utilizing even-pricing, bundling, and wholesaler discounts will contribute to the perception that this product is affordably indulgent and high-quality.
- *Marketing:* This section provides a feasible marketing strategy, with a modest budget of \$7200 USD and a recommended budget allocation. By strengthening Me Late Chocolate's branding, website, social media usage, and festival attendance, the company will be able to promote a consistent, premium brand.
- *Regulations and Policies:* This section discusses the policies and regulations that Me Late Chocolate needs to be aware of when doing business abroad. Considerations outlined include Colombian export requirements, Danish import requirements, and distributor contract agreements.

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Company Analysis

After years of planning, on November 26th, 2010, Me Late Chocolate opened up its first store in Mendellin, Colombia (Rendón, 2015). Me Late Chocolate is an artisan chocolate store, focused on providing consumers with high quality, real, Colombian chocolate products. It sells products such as chocolate bars, truffles, pralines, pastries, cakes, and hot drinks, ranging in price from approximately \$4 - \$11 USD (Rendón, 2015).

In a webinar presented by one of Me Late Chocolate's owners, Verónica Rendón (Rendón, 2015), explains how Me Late Chocolate was met with a positive response in the local market. She acknowledges that until this point, there were no specialty chocolate shops in Mendellin, which allowed Me Late Chocolate to begin with a strong position. In fact, throughout her education, Rendón knew what she wanted to do, so she was able to begin drafting an effective business plan early on. She adds that the Me Late Chocolate team had a clear vision mind; they didn't want to only provide chocolate, but they wanted to provide customers with the *experience* of enjoying real, Colombian chocolate. According to a review from James Martinez, each product from Me Late Chocolate "is made with a lot of mysticism and passion that represents the chocolate" (Martinez, 2013, p. 3). Martinez also describes the chocolate as being legendary in Colombia.

The company operates on a small scale. With a total of 8 staff members, it currently has the production capacity to produce 1,600 chocolates per day on average (Rendón, 2015). Rendón states that because it is artisan made and uses only high quality ingredients, Me Late Chocolate's product is able to gain a 60% margin on sale. She points out that although the price points for its products are not as low as mass producers', the business's competitive advantage comes from its ability to create added value for the customer through attention to detail, quality, and overall

design. While the company is currently operating from one physical store location, Rendón is looking to expand both nationally and internationally by opening carefully selected distribution channels. For an in-depth analysis of Me Late Chocolate's current competitive position, see Figure 1.1.

In her webinar, Rendón (2015) recognizes that the chocolate market is by no means a niche market. She adds that because of this, Me Late Chocolate attempts to gain market share by catering to 4 distinct "psychological" groups: chocoholics, social consumers, gift givers, and socially responsible consumers. Rendón suggests that the company distinctly markets to these groups by choosing the *way* it talks about the products, as well as by adjusting the packaging and presentation to appeal to different segments. She adds that aside from this, the marketing strategy is almost entirely digital – the company utilizes social media, its website, and email blasts to keep its customers aware and talking. Additionally, the company represents itself at local fairs and tradeshow, while offering periodic in-shop events (Rendón, 2015).

Me Late Chocolate evaluates its competitors on 3 levels: local, national and international (Rendón, 2015). Rendón notes that because the company was the first to identify a gap in the local market, at the time of its opening there were no direct competitors in the market. She adds that since then, one chocolate shop has opened in Mendellin, but due to this shop's low quality ingredients and chocolate substitutes, Me Late Chocolate maintains a competitive advantage. Rendón outlines the competitive climate as follows: indirectly, Me Late Chocolate competes with local bakeries and pastry shops; on a national level, Me Late Chocolate has a number of competitors that vary in quality and price, including a number of tourist chocolate stores that operate in Colombia's capital city of Bogota. As well, both on a national and international level, Me Late Chocolate must compete with large scale, recognizable producers of chocolate bars such

as El Astor, Nacional de Chocolates, and Mars (Rendón, 2015). Currently, Rendón and her co-owners have identified the Asian market (countries such as Korea and Japan), as well as the competitive U.S. market and the Canadian market as potential places to enter.

Figure 1.1:

STRENGTHS

- *Background of founder:* Rendón has an international business degree, a masters in marketing and has taken chocolate making classes; one of her partners has an accredited degree in chocolate making (Rendón, 2015)
- *First mover advantage:* the company entered a market with an identifiable gap
- *High quality ingredients:* the company uses only real, Colombian chocolate; no artificial flavouring or chemicals are used (Rendón, 2015)
- *Competition:* local competitors don't use real Colombian chocolate, or they use chocolate substitutes (Rendón, 2015)
- *Prices:* prices are reasonable, and comparable to competitors
- *Acceptance in market:* customers value the experience as well as the product, and stay loyal to the brand (Rendón, 2015)
- *Store location:* the physical store is in a high-traffic location, amidst hotels and restaurants (Rendón, 2015)
- *Variety in product:* particularly in the chocolate line, as chocolate bars are some of the company's most sold products; as well, the product size is flexible to the needs of potential distributors (Rendón, 2015)

- *Consumer base:* the company sells both B2C and B2B and are able to offer quantity discounts to B2B consumers (Rendón, 2015)
- *Colombia collection:* this line of chocolate bars is innovative and unique, angling its flavours and packaging to different regional landscapes in Colombia (Rendón, 2015)
- *Feedback:* the product has received positive feedback through social media such as Facebook (www.facebook.com/chocolateriaMeLate) and Instagram (www.instagram.com/melatechocolate), and review-based websites such as Tripadvisor (www.tripadvisor.ca/Restaurant_Review-g297478-d2037481-Reviews-Me_Late_Chocolate-Medellin_Antioquia_Department.html)

WEAKNESSES

- *Local expansion:* a second store location that opened at a shopping center in Mendellin in 2013 failed, as location costs were too expensive to maintain operations (Rendón, 2015)
- *Distribution channels:* products are only sold at one brick-and-mortar store, and the company has not yet gained a strong national or international presence (Rendón, 2015)
- *Costs:* artisan product is expensive to make as all manufacturing and packaging is done manually
- *Staffing:* due to financial constraints, management must take on nearly every role in the company, including all administrative work (Rendón, 2015)
- *Limitations of a small company:* due to its size, the company faces financial constraints and small scale production capability; efficiency and inventory capabilities will need to increase as demand increases

- *Shelf-life:* since the business only uses fresh ingredients in its fillings, the shelf-life of certain products is approximately one month (Rendón, 2015)

OPPORTUNITIES

- *International recognition:* the chocolate industry is encouraging acceptance of Colombian chocolate by the international market based on the quality of the cocoa (Rendón, 2015)
- *Methodology:* an important part of the chocolate making process, tempering, varies substantially in technique and process amongst producers; this process can be adjusted based on scale (Rendón, 2015)
- *Demographics:* the purchase of chocolate is not limited to any particular demographic
- *Growing middle class:* a global growth in the middle class means a potentially larger market; chocolate is seen as an “affordable luxury”
- *“Social Consciousness” trend-* consumers are placing an emphasis on high quality, socially aware products (including local ingredients and fair trade practices)
- *Seasonality-* the chocolate industry is seeing growth in “seasonal” or holiday centric product offerings
- *Benefits of dark chocolate-* increased interest in health and nutrition may increase the demand for 100% dark chocolate or low sugar/fat chocolate which can boost metabolism and provide energy

THREATS

- *Exporting:* regulations and paperwork can be daunting and tedious, and processes differ from country to country

- *Health trends:* health conscious consumers may be wary of purchasing or consuming chocolates, or other products with high sugar content
- *Economic downturn:* as various countries face economic recession, consumers may forgo the purchase of unnecessary items
- *Rising commodity prices:* fluctuating commodity prices, particularly that of cocoa, may impact both small and large chocolate manufacturers

Market Success Criteria

As the company expands from its current local customer base, Me Late Chocolate needs to be selective in choosing the correct market to enter. In order to ensure this process is efficient and thoughtful, key market factors must be identified to guarantee the success of the business outside of its Colombian borders. Outlined below are 5 key market selection indicators that will guide Me Late Chocolate as the business grows:

1. Economic environment: Ease of doing business

Because this will be the company's first foray into the international business world, it is important that the business initially tests its success in an economically sound market with an established commerce system in place. Small businesses such as Me Late Chocolate do not have the financial flexibility to act with a high degree of uncertainty, however, they do have the flexibility to make decisions quickly and act on opportunity. Understanding the ease of doing business ranking in potential markets will indicate whether or not a market's "regulatory environment is more conducive to starting and operation of a local firm" ("Economy Rankings",

2016). This is important to ensure that Me Late Chocolate's first international venture is a successful one.

2. Economic environment: Income levels

When selecting a potential expansion market, it is necessary to consider the income level of the average consumer. By evaluating potential markets' Gross National Income per capita at PPP (purchasing power parity), one can more accurately understand the buying power of the population. In fact, the top ten countries by chocolate consumption are all in the top 15% of nations by per capita GDP, meaning that chocolate is typically consumed in wealthier countries (Gross, 2015). Chocolate is widely understood to be an affordable luxury. In markets where the consumer has a greater disposable income, a premium chocolate bar is a realistic and justifiable way to indulge without overspending. Although the price of Me Late Chocolate's products may be slightly more expensive than its competitors, premium brands often outperform the market. This indicates that a specialty brand advertising real, Colombian chocolate may maintain a competitive edge against large, mass-producing brand names.

3. Political and legal environment: Political and legal system

Unexpected delays and political red-tape can seriously impede the success of an international business venture. Because countries vary in both political and legal structure, it is crucial to research legal issues and understand business risk in any particular market. This is particularly crucial for small businesses, as they are generally vulnerable both in financing and manpower. Being a company with 8 staff members, it is unlikely that Me Late Chocolate will have the human capital necessary to have a person on the ground at all times to mitigate contractual and political issues that arise in the international market. As an entrepreneurial venture, Me Late

Chocolate should select a market that supports and encourages business and trade.

Understanding and pre-emptively mitigating political and legal risks will greatly ease the process of selecting distributors, understanding tax systems, and overcoming government barriers.

4. Cultural environment: Customer preference and taste – Indulgence

When bringing any product to a new market, a company must be sensitive to foreign cultures in order to stay competitive. Understanding the culture of a potential market will allow Me Late Chocolate to overcome marketing barriers by constructing a thoughtful business plan that will appeal to a specific consumer. Utilizing Geert Hofstede's framework analyzing the 6 dimensions of culture, Me Late Chocolate can gauge the level of indulgence vs. restraint that a particular market exercises. The indulgence factor acknowledges countries that allow "relatively free gratification of basic and natural human drives related to enjoying life and having fun" (Hofstede, 2001). Any small chocolate company would be wise to select a market where consumers show less restraint in purchasing indulgent items.

5. Geographical environment: Climate

Me Late Chocolate's competitive advantage comes from its superior attention to detail, the high quality of the product, and its dedication to using only real, Colombian ingredients. In order to maintain its brand image and garner customer loyalty, it is crucial that the business focuses on maintaining the quality of its premium status. Climate can be a serious impediment to this. The quality of chocolate is often contingent on the condition it is stored in. Since Me Late Chocolate would likely be exporting, the business may not have control over how the product is stored once it leaves Colombia. In an online blog post about how to store chocolate, blogger Liz Gutman (2011) states that chocolate should be kept at 16 – 18 degrees Celsius. She adds that when filled

chocolate is stored in a refrigerator, the center can become grainy. Gutman also notes that in an environment that is too hot or too humid, fat bloom and sugar bloom can deteriorate the texture of the chocolate. Additionally, heat drives away both the aroma and the flavour of the product (Koko Buzz, 2012). In order to maintain the quality of its premium brand chocolate, Me Late Chocolate should seek a market with a climate similar to its own.

Market Analysis and Selection

Utilizing the previously outlined market success criteria, four suitable markets were identified and selected for comparison. Setting Colombia as a benchmark, countries with favourable conditions compared to the home market were selected in order to ensure success in entering an unfamiliar market. Sweden, Australia, Denmark, and the United Kingdom were identified as lucrative potential markets for Me Late Chocolate to expand to. In order to evaluate the ease of doing business, income levels (GNI per capita at PPP), and the political and legal environment of each country, statistics provided by Doing Business (“Economy Rankings”, 2016) and The Global Economy (“Rule of law”, n.d.) were analyzed. Hofstede’s framework (2001) evaluating dimensions of culture was used to determine each market’s indulgence level. See Figure 3.1 for a full comparison. Additionally, countries with extreme climates and unstable governments were excluded from consideration. Of the countries selected, both Sweden and Denmark offer a population with high income levels, while Denmark offers the easiest market to do business in and has the firmest rule of law, a metric evaluating how stable and structured a market’s legal system is. Based on these metrics, Denmark was selected as the most promising market for Me Late Chocolate to enter.

Figure 3.1:

Potential Market	Ease of Doing Business Ranking Out of 189 countries	GNI per Capita @ PPP	Rule of Law Ranking Ranging from -2.5 (weakest) to 2.5 (strongest)	Cultural Indulgence
Denmark	3	\$46,210	2.09	70
The United Kingdom	6	\$39,040	1.89	69
Sweden	8	\$46,750	1.99	78
Australia	13	\$42,760	1.93	71
Colombia (<i>benchmark</i>)	54	\$12,910	-0.34	83

In order to gain a better understanding of why Denmark shows enormous potential for international business expansion, it is important to analyze the chocolate market within the country, including market demographics, as well as the cultural, legal, political, and economic environment of Denmark, trade and labour regulations within the country, and the competitive climate of the industry. This analysis will provide valuable insight on the structuring of market entry, marketing and operation strategies. By highlighting relevant information, Me Late Chocolate will be able to identify how its competitive advantages will help it navigate and capture this new market.

Market Demographics and Cultural Environment

Denmark hosts a population of approximately 5.614 million people, with nearly 563,000 citizens living in Copenhagen, the nation's capital city. In segmenting the market, Me Late Chocolate can carry over its current psychological segmentation strategy, as it is not limited to one particular region. Denmark's climate is fairly moderate, ranging from 17.5°C on average in the summer to 0°C on average in the winter ("Denmark", n.d.). Denmark's location in central Europe offers itself as a connection between Western Europe and Scandinavian Europe, bordering both Northern Germany and Southern Sweden. Should Me Late Chocolate choose to

distribute its product from Denmark to other EU member countries, European consumers would benefit from reduced taxes and shipping costs. Additionally, the Copenhagen Airport offers efficient service and short transit time for goods.

According to website Kwintessential (“Denmark – Language, Customs”, n.d.), Denmark is known to be an Egalitarian country, offering equal opportunity and respecting women in business. The website also states that business is conducted in a professional and orderly manner, and communication is direct and respectful. Business may be conducted in English, as Denmark is rated the third most proficient in the English language out of 70 countries tested on the EF English Proficiency Index (2015). Additionally, e-commerce and online marketing are modern business options in Denmark, as 95% of the population has regular access to the internet (“EF English Proficiency Index”, 2015).

Denmark is rated 7th in the world for chocolate consumption (vbn.aau.uk). It is typical for high-quality chocolates to be given as gifts in Denmark, whether it be for birthdays, holidays, or dinner parties (“Denmark – Language, Customs”, n.d.). Recent market evaluations suggest Danish consumers favour dark chocolate, likely in response to current health trends, and tend to purchase the good in convenient sizes, particularly in the form of tablets (“Kalev in Denmark”, n.d.). Euromonitor International suggests 4 key trends to expect in the chocolate confectionary industry within Denmark: premium and unique flavours, busier lifestyles seeking convenient food packaging, health awareness, and the expansion of private labels (“Chocolate Confectionary”, 2015). Interestingly, Me Late Chocolate is readily able to work with these trends without having to make any exceptional adjustments to its product or business strategy.

Legal and Political Environment

Denmark's legal system lends itself nicely to doing business. The country welcomes foreign direct investment, and ensures that a functional legal framework supports the ease of doing business in the country ("Ease of Doing Business in Denmark", n.d.). Denmark's strong rule of law indicates that the country protects property rights, demonstrates integrity in contract enforcement, recognizes political accountability, and guarantees clear and transparent business regulation ("Rule of law", n.d.). According to Santander Trade ("Denmark: Legal Environment", 2016), the country operates with a high degree of freedom of contract, meaning that negotiations between parties are flexible in the formation and content of the contract. As well, the country is a signatory of the Vienna Convention on international contracts, and is expected to uphold and work within the confines of international law ("Denmark: Legal Environment", 2016).

Denmark's political system functions as a parliamentary, representative democracy. It is globally recognized for being a safe and transparent country to operate a business in. It ranks number one on the global transparency index ("Corruption by country", n.d.), indicating low levels of corruption, and "is one of the world's most open with respect to foreign investment, and the investment code is transparent and efficiently administered" ("2016 Index", 2016, p.1). These factors have influenced its first place ranking in Forbes' 2015 list of the best countries to do business in (Badenhausen, 2015).

Economic Environment and Trade & Labour Regulation

Denmark currently boasts a stable and growing economy. With a GDP valued at \$249.5 billion dollars at PPP ("2016 Index", 2016), Denmark continues to see a 1.1% growth going into 2016 (Badenhausen, 2015). The population holds a high level of income, earning \$46,210 GNI per capita at PPP, leaving most of people with a fair level of discretionary income. The country

welcomes international trade, ranking at number one for “trade across borders” (“Economic Rankings”, 2016), with open-market policy and regulation to support and uphold this endeavour. As noted by the European Commission (“Andean Community”, 2015), both Colombia and Denmark are members of the WTO, adhering to international trade regulations. Additionally, the European Commission acknowledges that both countries are members of the ANDEAN trade agreement between the EU and particular South American countries. This trade agreement aides greatly in facilitating open market relationships with a degree of trust and predictability (“Andean Community”, 2015). Both Colombia and Denmark have an embassy in each other’s countries, which provides an extra degree of reassurance and diplomatic resolution should any major issues arise while strengthening trade relationships and establishing political dialogue between the nations (“Denmark will open”, 2015).

A report by Euromonitor suggest that one of the biggest hurdles Me Late Chocolate will need to overcome when entering Denmark is a recent increase in Denmark’s excise duties (or “sugar tax”) placed on various products with high-sugar content, including chocolate and sugar confectionary (“Chocolate Confectionary”, 2015). The report explains that this tax was recently raised in order to promote health and wellness, and discourage the population from overconsumption. It also notes that the burden of the tax is allocated early in the supply chain and is assigned by product weight, usually being handled by producers or importers, so that as little impact as possible is passed on to the end consumer. As expected, this tax has resulted in a slight increase in the price of these products and has been followed by a slight decrease in demand (Ecorys, 2014). Interestingly, the decrease in demand for chocolate is not proportional to the price increase, suggesting a relatively inelastic demand for chocolate products, whereas other high-sugar products have seen a more significant decrease in demand (Ecorys, 2014). The

question of whether or not these sorts of taxes work remains a topic of interest. For example, Denmark recently repealed a failed “fat tax” that operated in a similar manner, after seeing the negative impact it had on industry as consumers began to look outside of the country to purchase goods (Strom, 2015).

Competitive Landscape

The market share for chocolate confectionary is dominated by a large local sweets manufacturer, Toms Gruppen A/S, who has currently captured 31% of the market value share (“Chocolate Confectionary”, 2015). The rest of the market share is held by both large and independent chocolate manufacturers, most of which were established locally in Denmark. Large producers such as Toms and Mars primarily distribute through supermarkets and convenience stores, while smaller, artisanal manufacturers such as Peter Beier Chokolade and Frederiksberg Chokolade operate out of independent shops, retailers, and online stores (Janne, 2011). A report published by Marketline (2014) notes that while consumers often choose to stick with the brands they know, switching costs for chocolate products are quite low, suggesting flexible opportunity to capture market share. The same report also states that chocolate producers have the ability to create competitive rivalry by maintaining a hold on their existing customers through inherent quality and strong branding.

Marketline (2014) asserts that when entering the Danish chocolate market, large producers of confectionary require substantial financial resources to establish production facilities. The report adds that because these producers often offer large quantities of varied goods, they must adopt a mass marketing strategy and produce in large volumes to maintain profitability. Alternatively, smaller scale entrants must provide added-value and high-quality artisanal products in order to be successful in the Danish market (Marketline, 2014). These

smaller scale producers must offer new, exotic flavours and premium product variants to capture consumer interest (“Chocolate Confectionary”, 2015). Established brands within Denmark, both large and small, benefit from reputation and existing consumer loyalty, and have seen success in offering an online-shopping alternative. Additionally, large producers benefit from greater access to financial and human capital, higher capacity, and variety in products offered, while smaller scale producers benefit from established networks and partnerships, community visibility through events and festivals, and the offering of additional services such as catering and classes (Janne, 2011).

Although existing Danish brands have established their own unique competitive advantages, businesses in this industry still face a number of challenges. Large producers may choose to sacrifice focus and quality in order to mass produce at high value. On the other hand, small producers may not have the resources to see significant market reach and thereby suffer from low brand awareness. Sourcing cocoa in this industry can be fickle; rising commodity prices and ethical issues can impact both small and large producers, particularly those sourcing from West African countries. Additionally, the recent rise in the Danish sugar tax has impacted profit margins for those producing chocolate in, or exporting to, Denmark. As smaller business who cannot adapt to this tax begin to leave Denmark, it may be a good time for Me Late Chocolate to enter while the market is shifting.

Entry Mode and Distribution

Direct Exporting

As small business entering an international market, Me Late Chocolate will need to be selective in choosing an entry mode to access the Danish consumer base. Due to its production

capacity and financial limitations, the most suitable entry mode for Me Late Chocolate would be through direct exporting, utilizing a Danish distributor to penetrate the market. By working with a local distributor, Me Late Chocolate will be able to overcome trade challenges, gain access to retailers, and trust that its business is being handled professionally by local experts. To access consumer markets in Denmark, this approach utilizes a traditional small retail channel, by moving products from the manufacturer to a distributor/wholesaler to retailers, and finally to the end consumers (“Distributing Your Product”, 2016).

Working with a distributor to enter the Danish market is wise, as it presents unique advantages for consumer access while still being a relatively cost-conscious option compared to indirect exporting through commissioned agents or export management companies. Distribution agreements are generally low risk, though a certain degree of control must be relinquished by the manufacturer, so selecting the right distributor is crucial. Distributors will take a 17 – 30% margin on wholesale prices and retain control over service, delivery, returns, inventory maintenance, and invoicing and administration responsibilities in the host market (“The Role of Distributors”, n.d.). Alternatively, an agent or food broker may have a much stronger sales force than a distributor, however, selling remains their primary focus while the bulk of the responsibility is left with the manufacturer (“The Role of Distributors”, n.d.). This suggests that Me Late Chocolate will need to be diligent in keeping a focus on the strength of its branding to peak retailer interest, and ensure it doesn’t get lost amongst its distributor’s other products. It is recommended that Me Late Chocolate continues to develop its website to promote ease of communication and trust between itself, its distributor, and potential retailers. By carefully selecting and developing a distribution relationship in Denmark, Me Late Chocolate will see success in the sale of its product abroad.

Distributors

In an effort to ease the distributor selection process, 3 potential distributors have been outlined in Figure 4.1, all of which specialize in chocolate and confectionary distribution within Denmark. These distributors have been ranked based on their level of potential in establishing a relationship with Me Late Chocolate:

1. ScanChoco
2. Kiwi Group
3. NaturSlik

While all of these companies offer potential for helping Me Late Chocolate succeed in the Danish market, ScanChoco's capabilities, expertise, and history align most favorably with Me Late Chocolate's values and product offerings. It is likely that this company would be interested in distributing Me Late Chocolate's product as they currently do not offer any premium chocolate product lines from South America, yet they do have expertise in making similar, complementary products from abroad successful in the Danish market, such as a premium licorice product called LaQris imported from Iceland ("LaQris", n.d.). Me Late Chocolate would offer ScanChoco the potential to diversify further and be the first in the market to offer a premium chocolate bar made with real, Colombian cocoa and all natural ingredients. ScanChoco has an existing retail network and established industry knowledge within Denmark, and is still small scale enough to place greater emphasis on promotion and selling relationships than its larger competitors, making it an ideal match for Me Late Chocolate.

Figure 4.1

ScanChoco**Contact Person:** Allan Sorensen**Website:** <http://www.scanchoco.dk/>**Street Address:** Hojbjergaxel Kiersej 18h, Hojbjerg, Denmark**Telephone Number:** +45 87348875

ScanChoco has been in operation since 1972, beginning when 4 chocolate and confectionary wholesalers combined forces to bring unique chocolate products from around the world into the Danish market. It has had vast expansion over the years and is currently the largest privately-held distributor of chocolate and confectionary in Denmark. It specializes in bringing new, trendy products into Denmark and it garners appeal from both children and adults by providing creatively branded products and exciting seasonal offerings to its customers. It has a staff of less than 50 employees, and has a newly renovated warehouse with temperature control to maintain the quality of its products. It has access to a large number of retail locations, including wholesale firms, supermarkets, and discount stores.

Sample of Dealers: Kvickly, SuperBrugsen, Dagli 'coop, Facts, Bilka

Sample of Products: Dracula, LaQris, Sismofytter, Astro Kids

(Information gathered from <http://www.scanchoco.dk/>)

Kiwi Group**Contact Person:** Kim Soya**Website:** <http://kiwi-group.dk/>**Address:** Grusbakken 20, 2820 Gentofte, Denmark

Phone number: +45 39617600

Kiwi Group is large scale distributor located in Denmark. In operation for 23 years, the business has 3 main components: vending machines, accessing hard to reach international markets, and retail. It carries a large number of high-calibre brands and has global reach, specializing in the operation of vending machines, and being a food option at non-food retail locations. It has strength in its networks and relationships, exercising sound strategy that has allowed it to grow and be profitable. It is able to utilize its knowledge and customer relationships to feature products and lead campaigns successfully.

Sample of Dealers: vending machines, non-food retailers

Sample of Products: Marabou, Baileys, Nutella, Mars

(Information gathered from <http://kiwi-group.dk/>)

NaturSlik

Contact Person: via email at js@natur-slik.dk

Website: <http://www.natur-slik.dk/>

Address: A.C. Illumsvej 12, 8600 Silkeborg, Denmark

Phone: +45 86819026

NaturSlik is operated by a company called Coala's Natural Products, which formed in 1991. The company aims to provide healthy, natural candy products to the Danish consumer. While initially focusing on products without any additives or preservatives, it has since expanded its focus to sugar-free, gluten-free, and fair trade products. They seek chocolate products where the cocoa beans are sourced from areas guaranteed to be free of child-labour. Its product offerings are premium in nature, with a focus on healthy alternatives being the company's



specialty. The company boasts an AAA rating, a designation awarded to less than 2% of Danish companies. Of note, the company does not distribute to private retailers.

***Sample of Dealers:** health food stores, pharmacies, Matas*

***Sample of Products:** 100% Cocoa Paste, Stevia Chocolate Egg, Milk Chocolate Plate (no added sugar)*

(Information gathered from <http://www.natur-slik.dk/>)

Contractual Agreement

When drafting a distribution agreement, there are many details that must be considered to ensure the integrity of the contract. Denmark's contract laws are fairly liberal, meaning that the structure and content is almost purely discretionary to the parties. Me Late Chocolate would do well to request for blind copies of agreements in effect from the selected distributor, in order to better understand the nature of the agreement and ensure no important details are overlooked (Balzer, 2003). Smriti Chand (n.d.) notes with importance that according to Danish law, manufacturers cannot set a minimum price for re-sale, but they can set a maximum cap price. Chand offers that an approach to working around this stipulation would be for Me Late Chocolate to advertise a *recommended* re-sale price, so long as it is clearly "not-binding". This means that selling at a fixed price may not be within Me Late Chocolate's control in the Danish market. Additionally, when considering termination clauses, Me Late Chocolate may want to consider annual termination and semi-automatic renewal, giving both parties the opportunity to re-evaluate the success of the relationship on a yearly basis (Balzer, 2003). Termination of the

relationship outside of contractual breach is allowed with notice, which is typically a period of 3-6 months in Denmark (Chand, n.d.).

Me Late Chocolate should pursue a selective distribution agreement. This would ensure that the product is being placed in a smaller number of carefully selected locations, consistent with the products niche appeal and acting as a measure to ensure the manufacturer's production capabilities are not spread too thin (Chand, n.d.). Me Late Chocolate can also request to train the distributor's sales team to guarantee they are selling the high quality features of Me Late Chocolate's product in an appealing way. According to an article posted by Steen Rosenfalck (2015), when negotiating with a potential distributor, Me Late Chocolate should request a sole distribution agreement. This would guarantee that Me Late Chocolate would utilize the selected distributor as the *only* distributor in Denmark, while still retaining the right to sell directly to retailers so long as these sales are attributed to the distributor (Rosenfalck, 2015). This would allow Me Late Chocolate to identify particular retail locations it would like its product featured at as the company becomes more familiar with the Danish market, consistent with its desire to sell in unique, artisan, retail locations. With these considerations in mind, Me Late Chocolate will be able to create a successful distribution relationship that will allow it to capture the Danish consumer market.

Pricing

In determining the appropriate pricing strategy for Me Late Chocolate's products in Denmark, the company must first acknowledge that due to Danish contract law, Me Late Chocolate is unable to pursue a fixed price point, however it is still able to provide a recommended selling price. Additionally, the company must understand that its current pricing structure cannot be feasibly maintained overseas if the manufacturer wants to earn a reasonable

profit margin from its sales abroad. The current prices will see a significant increase due to added shipping costs, import duties and taxes, profit margins for the distributors, and retail mark-ups. Although these cost considerations may seem daunting, the product stands to be positioned as a premium, luxury product that is distinct from its competitors, and therefore consumers will likely be willing to spend more for a product that is perceived as high-quality.

As an example pricing strategy, a cost analysis has been performed on Me Late Chocolate's 100 gram chocolate bars to demonstrate the potential price structure of this product in Denmark. This product has been selected as its Colombia collection has seen significant success in the home market due to its powerful branding and distinct flavors. These elements of the product work in conjunction with consumer trends that favour private labels, and unique and exotic flavors. Additionally, because this product is made with real, Colombian ingredients, with no additives, it will likely be perceived as high quality and healthier compared to sugary alternatives in the confectionary industry. The suggested pricing allows Me Late Chocolate to maintain an equivalent of its current 60% margin on sales for its chocolate bar. Its current price of \$5 USD suggests that the cost of goods sold for the manufacturer stands at approximately \$2 USD per chocolate bar.

Total Landed Cost

For the purpose of this analysis, a shipment of 500 chocolate bars being exported to Denmark has been assumed. See Figure 5.1 for a full breakdown of landed costs for 500 bars of this product in Danish krone, Colombian pesos, and U.S. Dollars. This analysis includes shipping costs calculated using UPS Worldwide Expedited Shipping for a 50 kg package from Colombia to Denmark (www.ups.com), and estimates insurance costs to be approximately \$70 USD. This analysis also considers import duties including an excise duty on sugary products, as well as

VAT (value-added tax). Duty and tax calculations are based on a total customs value that includes product value, shipping, and insurance costs (www.dutycalculator.com). See Figure 5.2 for a full breakdown of landed costs for an individual bar.

Figure 5.1 – Landed Cost Analysis for 500 Chocolate Bars (50 kg)

	Danish Krone	Colombian Peso	U.S. Dollar
Manufacturing COGS	6,942.61	3,155,730.00	1,000.00
+ 60% Profit Margin	17,356.52	7,889,325.00	2,500.00
Shipping	7,779.19	3,535,995.47	1,120.50
Insurance	485.98	220,901.10	70.00
Total Customs Value	25,621.69	11,646,221.57	3,690.50
Duties	2,142.00	973,637.38	308.53
Taxes	6,940.04	3,154,562.38	999.63
Total Landed Costs	34,703.73	15,774,421.32	4,998.66

Figure 5.2 – Landed Cost Analysis for Individual Chocolate Bar (100 gr)

	Danish Krone	Colombian Peso	U.S. Dollar
Manufacturing COGS	13.89	6,311.46	2.00
+ 60% Profit Margin	34.71	15,778.65	5.00
Shipping	15.55	7,068.84	2.24
Insurance	0.97	441.80	0.14
Total Customs Value	51.24	23,289.29	7.38
Duties	4.30	1,956.55	0.62
Taxes	13.89	6,311.46	2.00
Total Landed Costs	69.43	31,557.30	10.00

Distributor Margins and Retail Markups

Having determined a fixed landed cost that allows Me Late Chocolate to maintain a 60% margin on its chocolate bars, an analysis of varied distributor margins and varied retail markups can be applied. As stated previously, a distributor will typically take a 17 – 30% margin when

setting a wholesale price that it will sell to retailers at. See Figure 5.3 and Figure 5.4 for a wholesale cost analysis considering potential distributor margins for 500 bars and for an individual bar, respectively, based on a \$10.00 USD landed cost.

Figure 5.3 – Wholesale Price with Distributor Margin for 500 Chocolate Bars (50 kg)

	Danish Krone	Colombian Peso	U.S. Dollar
17% Margin	41,811.71	19,005,320.81	6,022.48
23.5% Margin	45,364.38	20,620,170.97	6,534.20
30% Margin	49,576.73	22,534,878.59	7,140.94

Figure 5.4 – Wholesale Price with Distributor Margin for Individual Chocolate Bar (100 gr)

	Danish Krone	Colombian Peso	U.S. Dollar
17% Margin	83.59	37,994.99	12.04
23.5% Margin	90.74	41,245.39	13.07
30% Margin	99.14	45,063.82	14.28

When purchasing from a distributor, a retailer will typically apply a large mark-up to the wholesale price of the product in order to maintain a comfortable profit. For the purpose of this analysis, a retail mark-up of 50%, 75%, and 100% has been applied in order to understand the potential cost to the end consumer that Me Late Chocolate can expect in the Danish market. These mark-ups have been applied given each potential distributor margin. See Figure 5.5 for a consumer cost analysis of retail mark-ups on 500 chocolate bars, and Figure 5.6 for a similar analysis on an individual chocolate bar.

Figure 5.5 – Consumer Cost with Retail Mark-up for 500 Chocolate Bars (50 kg)

	Danish Krone	Colombian Peso	U.S. Dollar
17% Distributor Margin, 50% Retail Mark-up	62,696.73	28,498,514.03	9,030.72
17% Distributor Margin, 75% Retail Mark-up	73,170.49	33,259,311.42	10,539.34
17% Distributor Margin, 100% Retail Mark-up	83,623.41	38,010,641.62	12,044.96
23.5% Distributor Margin, 50% Retail Mark-up	68,046.49	30,930,224.89	9,801.29
23.5% Distributor Margin, 75% Retail Mark-up	79,387.59	36,085,267.63	11,434.84
23.5% Distributor Margin, 100% Retail Mark-up	90,728.68	41,240,310.37	13,068.39
30% Distributor Margin, 50% Retail Mark-up	74,365.10	33,802,317.88	10,711.41
30% Distributor Margin, 75% Retail Mark-up	86,759.32	39,436,053.30	12,496.65
30% Distributor Margin, 100% Retail Mark-up	99,153.54	45,069,788.73	14,281.89

Figure 5.6 – Retail Mark-up for Individual Chocolate Bar (100 gr)

	Danish Krone	Colombian Peso	U.S. Dollar
17% Distributor Margin, 50% Retail Mark-up	125.45	57,024.04	18.07
17% Distributor Margin, 75% Retail Mark-up	146.35	66,522.79	21.08
17% Distributor Margin, 100% Retail Mark-up	167.25	76,021.54	24.09
23.5% Distributor Margin, 50% Retail Mark-up	136.08	61,852.31	19.60
23.5% Distributor Margin, 75% Retail Mark-up	158.78	72,171.55	22.87
23.5% Distributor Margin, 100% Retail Mark-up	181.48	82,490.78	26.14
30% Distributor Margin, 50% Retail Mark-up	148.71	67,595.74	21.42
30% Distributor Margin, 75% Retail Mark-up	173.50	78,861.69	24.99
30% Distributor Margin, 100% Retail Mark-up	198.28	90,127.65	28.56

Implications

As seen within the previous cost analysis, Me Late Chocolate's chocolate bars will likely be priced between 125 and 198 DKK. Although the latter price appears to be quite high, it is important to understand that this is a conservative estimate, and it is very possible that the actual price would be much lower. The range of margins and mark-ups outlined allows for flexibility within the supply chain, and Me Late Chocolate has the ability to lower this price by adjusting

the profit margin it receives to below 60%. However, a high price point is not necessarily a detriment to the business. A higher price implies better quality, and the Danish consumer seeking an affordable luxury will be willing to pay a higher price to satisfy their indulgence with a premium chocolate. In comparison to its competitors, a price point of 125 DKK is quite reasonable, as most other companies are choosing to price their premium chocolate options between 80 and 180 DKK. Because this is such a unique product within the host market, Me Late Chocolate should implement strong branding that aligns with this premium image and emphasizes its added value in order to entice consumers to try something new and convince them to spend a little extra.

Additional Considerations

In order to contribute to the perception that Me Late Chocolate's products are premium in quality, the company can utilize psychological pricing strategies to strengthen its position and engage consumers' sense of indulgence. One strategy would be to use clean, even numbers at the point of sale. While many retailers use a complimentary strategy of odd price points to suggest a discount, Me Late Chocolate can use a whole, even price point and preferential rounding to emphasize the quality and confidence that the brand warrants (Shpanya, 2014). For example, rather than pricing the product at 125.45 DKK, the product could be priced at 120 DKK. Another strategy that could benefit the company would be to bundle products at a reduced selling price. While this would ultimately affect the profit earned per unit, it will expose consumers to multiple flavors, and seasonally boost sales around holidays where chocolate may be given as a gift. Wholesale discounts can also be cautiously applied to encourage retailers to stock a higher quantity of the products than they may have intended, which would increase brand exposure and create incentive for retailers to carry Me Late Chocolate's premium chocolate bars.

Marketing

Branding

As an outsider brand entering the Danish market, it is important for Me Late Chocolate to create a strong identity outside of its Colombian borders. All countries have deeply ingrained cultural idiosyncrasies, so it is important that an international business caters to and understands the needs of a particular culture, rather than assuming a “one-size-fits-all” approach (“Marketing a Business in Denmark”, n.d.). By applying cultural sensitivity to the planning stages of marketing, Me Late Chocolate will be able to create an appealing brand identity that connects with Danish consumers, thereby increasing sales in the new market. Applying the Pareto Principle, Me Late Chocolate should focus the bulk of its efforts on what is the most effective (Baldassarre, 2015). In the case of a small, relatively young business, web-based marketing is a cost-effective and valuable way to utilize a limited marketing budget. Fortunately, with over 95% of the Danish population having regular access to the internet, this is a viable option (“EF English Proficiency Index”, 2015). Forgoing traditional, cost-heavy mediums such as television, radio, and print advertising, Me Late Chocolate can ensure that it gets the most value for its money by creating a consistent, recognizable, and relatable brand across all platforms.

Me Late Chocolate’s product is to be positioned as a premium, artisanal brand in Denmark, so it is critical that this identity is consistently communicated in both the way the product looks and how it marketed. According to the World Happiness Report published by the United Nations Sustainable Development Solutions Network, Denmark consistently ranks as the world’s “happiest country” (Gates, 2013). While many factors impact the country’s ranking, two relevant cultural concepts that Me Late Chocolate can incorporate into its branding strategy are the Dane’s emphasis on health and wellness, as well as the concept of *hygge*. Although *hygge*

has no direct English translation, the concept revolves around a sense of coziness, love, and indulgence that one embraces during the dreary winter months, and often centers on making strong social connections (“Denmark is Considered”, 2013). The concept lends itself well to marketing strategy, particularly for the chocolate industry. Author Elizabeth Crawford (2014) suggests that marketing the feeling of indulgence is a key driver for chocolate products. She notes that by suggesting that chocolate is more than gift for others, but can be a gift for yourself, the brand can reduce consumer guilt and post-purchase dissonance. By utilizing a design web-service like 99designs.ca, the business can have an expert designer create consistent product label and packaging, as well as create a brand identity package that includes a custom logo, business cards, stationary, and Facebook cover image for a moderate price. The web service allows the company to provide critical input that will ensure the brand is fashioned as premium and luxurious, while still being attractive and trendy.

Website

A critical piece to creating an effective online branding strategy is to have a business website that promotes the same message as all other marketing efforts, both in aesthetic and content. The company website is the locus for any curious consumer or potential retailer, so it is necessary that the website is appropriately connected to social media platforms, and tells the story of the product in the context of the Danish market. Creating a website separate from its current Colombian domain, Me Late Chocolate can engage the Danish consumer by providing a website that is translatable between Dutch and English, and is easy to navigate. Me Late Chocolate can use 99designs.ca to have a designer create a hosted website that is easy to edit. By utilizing this web-service, the company can hire the same designer to handle all components of its marketing design strategy. The hosted website will be compatible with SEO (search engine

optimization), and although SEO is currently out of the scope of the marketing budget, it is certainly an attainable goal for the future. Good website design is essential in the Danish market, and can elevate the perception of a business to “prestigious, competent, and successful” (“Online Marketing in Denmark”, n.d., p. 3).

Social Media

Correctly managing social media is the crux of any successful online marketing strategy. Platforms like Twitter, Facebook, and Instagram allow users to connect to a company in a very personal way, and provide a way to garner feedback for the business. The more a company chooses to interact with consumers, the more the consumer will understand, trust, and relate to the brand, which is important in establishing brand loyalty. Although Me Late Chocolate is currently a user of these platforms, they are not being utilized appropriately and the company will need to seriously invest in engaging consumers by creating Denmark specific accounts and managing them effectively. By retweeting, posting articles, and sharing submitted photos, Me Late Chocolate can create a relationship with its customers, provide a channel for feedback, and engage in a form of word-of-mouth advertising through testimonial. The business can use a web-service called \$99 Social to manage all social media content for \$99 USD per month. The service will create content unique to Me Late Chocolate’s business and guarantees to post daily with guidance from company employees, helping to create a sense of “credibility, relevance, and approachability” (“How it works”, n.d.).

Creating an effective Instagram campaign would complement Me Late Chocolate’s marketing strategy well. An effectively managed Instagram account can communicate brand identity through the use of images, hashtags, and two-way communication. Ideally, seeing the account will push consumers to want to purchase the product, if only so they can take part in

what the brand represents. For example, Daniel Wellington (www.instagram.com/danielwellington), a Swedish watch company, curates its Instagram feed by selecting and sharing high quality photos of its customers wearing the watch in their day-to-day lives, while Starbucks (www.instagram.com/starbucks) operates country specific Instagram accounts that incorporate its products into local culture. Campaigns can change seasonally, responding to current events or holidays. Two potential campaigns for Me Late Denmark could include #PureMeLate and #HyggeMeLate that play specifically off of Danish culture.

#PureMeLate will demonstrate how the natural, organic Colombian ingredients align with the healthy Danish consumer; pictures could include dark chocolate displayed alongside colorful fruit, or a consumer biking while eating a Me Late Chocolate bar. #HyggeMeLate will capture the warmth and social connotations of *hygge*, demonstrating the feeling of indulgence one gets from eating Me Late Chocolate products. Images for this campaign could include a couple wrapped in blankets enjoying a chocolate bar by the fire, or warming up in the winter months with a cup of coffee and piece of chocolate. These relatable hashtag campaigns will allow consumers to post their own pictures that can be re-posted by the company to enhance the social network of the brand while solidifying its position in the Danish market. Taking this approach will acknowledge that Me Late Chocolate offers not only a chocolate with pure, Colombian ingredients. More than that, it represents good taste for consumers who have an optimistic, positive, and healthy attitude towards life.

Festivals and Promotion

Apart from online marketing, Me Late Chocolate can establish a local presence by participating in relevant community events throughout Denmark. With a plethora of festivals, markets, and food focused events taking place throughout the year, Me Late Chocolate would be

wise to represent itself at the annual Chocolate Festival held in Copenhagen every February. While the festival primarily caters to local manufacturers, it remains open to international brands, and has featured participants such as the UK's *Hotel Chocolat* and Lithuania's *Chocolate Naive* ("Udstillere", n.d.). Festivals such as this offer the opportunity to gain brand awareness, while allowing business representatives to network and scope out local competition. Similar ventures would be supported through distributor marketing efforts, as is demonstrated by ScanChoco's participation at local tradeshows and events such as ISM, the world's largest trade-fair for sweets and snacks (Scan Choco A/S, 2013a), and the Aarhus City half-marathon in Denmark (Scan Choco A/S, 2013b).

Another piece of tangible marketing would arise from allocating product to provide as samples. These samples can be distributed to current or potential retailers free of charge to allow their customers to try the unique flavors of Me Late Chocolate's exotic chocolate bars, and would foster goodwill with local clients. Additionally, by taking advantage of Danish food and style blogs, Me Late Chocolate can reach out to bloggers who may be willing to review or feature the company's chocolates in return for sample product or a small payment. These blog posts can then be shared by Me Late Chocolate's website and social media accounts to capture consumer interest and establish credibility. Bloggers that may be interested include Danish chocoholic Anne Moltke Hansen (anneauchocolat.dk) or Rochelle, a South-African ex-pat living in Denmark who writes about Danish lifestyle and food (danishexchange.com). Although not all bloggers are willing to promote particular products or brands, there is certainly no harm in reaching out.

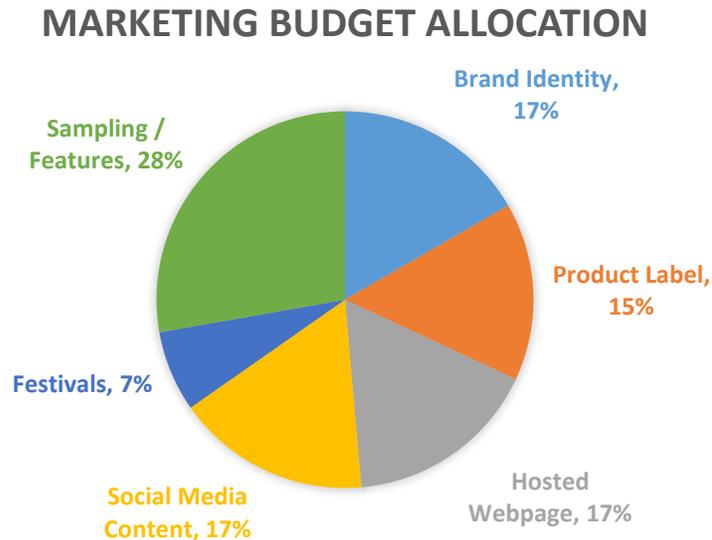
Budget and Allocation

To capture market share in an international setting, Me Late Chocolate will need to establish a sizable budget that allows the company to effectively penetrate the market and garner customer attention. A young, small-scale company will typically need to allocate 12-20% of gross revenue to marketing efforts in order to make an impact on future sales (Mintz, 2015). Modestly assuming first year sales of 12,000 bars of chocolate valued at \$5 USD means the company will be bringing in approximately \$60,000 USD in revenue and can allocate 12% of this revenue (\$7,200 USD) to its international marketing plan with flexibility to invest more money as needed. Denmark has one of the world's highest chocolate consumption per capita, at 8.57 kg per capita consumed annually (The CNN Freedom Project, 2012). In terms of 100 g chocolate bars, this means that in a population of 5.614 million, approximately 481.12 million bars are consumed per year. With projected sales of 12,000 bars equating to only 0.0025% of the market share for chocolate in Denmark, this is an achievable first-year goal for a premium chocolate with a higher price point. Although \$7,200 is a fairly modest budget, it serves as good starting point and can be worked with effectively given the outlined marketing strategy. See Figure 6.1 for a breakdown of marketing budget costs and Figure 6.2 for budget allocation.

Figure 6.1

Expenditure	Cost Estimate		
	Danish Krone	Colombian Peso	U.S. Dollar
Brand Identity	8,331.13	3,786,876.00	1,200.00
Product Label	7,636.87	3,471,303.00	1,100.00
Hosted Webpage	8,331.13	3,786,876.00	1,200.00
Social Media Content	8,331.13	3,786,876.00	1,200.00
Festivals	3,471.30	1,577,865.00	500.00
Sampling / Features	13,885.21	6,311,460.00	2,000.00
Total	49,986.76	22,721,256.00	7,200.00

Figure 6.2



Utilizing online services such as 99designs and \$99 Social, Me Late Chocolate can meet its marketing goals for a reasonable price. 99designs allows the company to set a “prize amount”, or an amount it is willing to pay for a designer to meet its needs (“How it works”, n.d.). The company can choose to pay more or less to access more designers with a higher skill level, and the prices outlined above reflect fair prize amounts that would garner high quality, consistent design for all business necessities (“How it works”, n.d.). \$99 Social caters to all social media management needs offering unique content specific to your business, weekly posts regarding product and promotions, the sharing of articles targeted to your customer audience, and the consistent use of hashtags that serve as a low-grade albeit free form of SEO (“What we do”, n.d.). SEO is a great way to make the business more accessible and searchable while increasing online traffic and relaying the effectiveness of marketing efforts. Effective SEO requires at least \$1,000 USD monthly, so although it is unrealistic in the first year abroad, it is a service to keep in mind and utilize in the future (DeMers, 2013).

To save money while maintaining the integrity of this marketing venture, Me Late Chocolate can hire an international marketing intern to manage the administrative piece of the international expansion. Since the company is familiar with working with international business students from its experience with the X-Culture program, Me Late Chocolate should be comfortable leveraging its network to find a student willing to take on this role. Moreover, Denmark is home to Copenhagen Business School, a highly regarded university that offers a vast network of business students. This student intern could assist in web-content management, social media management, and potentially aid in English-Danish translation, all while acting as Me Late Chocolate's eyes and ears on the ground in Denmark. Although it may be challenging to coordinate logistically, hiring an intern is a cost-effective way to invest in the growth of the company.

Regulations and Policies

In addition to having a strategic business plan prepared before entering Denmark, Me Late Chocolate should ensure it understands the legal and regulatory factors that will impact the company as it exports from Colombia, and imports into Denmark. Fortunately, as both countries are members of the WTO and the Andean trade agreement, the company will benefit from reduced trade barriers and will be able to move product relatively smoothly between the two countries. These agreements also focus on establishing international standards on quality and safety (Sareen, n.d.). In addition to the previously outlined regulations concerning VAT, excise duties, and contract law, Me Late Chocolate will need to adhere to the export and import processes, including certification and currency considerations that will accompany the business's expansion overseas.

Colombian Export Requirements

As a business creating a product from entirely Colombian ingredients, Me Late Chocolate will benefit from preferential rules of origin when entering the EU (“Rules of origin”, 2016). This means that since Colombia has an active trade agreement relationship with the EU, products considered as originating from Colombia will receive reduced import fees. In order to prove that the product originates from Colombia, Me Late Chocolate will need to annually obtain one of two documents: a Movement Certificate, or an Invoice Declaration from an approved exporter (“Proofs of origin”, 2016). These documents can be obtained by having an exporting agent provide proof of origin and supporting documents, or Me Late Chocolate can choose to become an approved exporter (“Proofs of origin”, 2016). To become an approved exporter, a business must satisfy customs requirements of proving product origin and supplying any requested documentation (“Proofs of origin”, 2016). Other supporting documents required to export from Colombia include a bill of lading, commercial invoice, export license, customs export declaration, packing list, and phytosanitary certificate stating that the plant that the product was produced in has been inspected and is fit for food production (“Ease of Doing Business in Colombia”, n.d.).

Danish Import Requirements

A document published by the European Commission of Trade states that by the standards of the EU, all food entering the nation must abide by administered safety regulation; products must be traceable, responsible, and compliant with food law (“Traceability, compliance”, 2015). The document emphasizes that the EU will not import food without a guarantee from Colombia’s exporting authority that the product has adhered to standard food safety law and that the manufacturers have acted responsibly in the production and reporting of food regulations. It also

states that all components of the product must be traceable through distribution, production, and sourcing – a requirement that should complement the Certificate of Origin that Me Late Chocolate is required to obtain. Other supporting documents required to import into Denmark include a CMR waybill, commercial invoice, and a packing list (“Ease of Doing Business in Denmark”, n.d.).

All food entering the EU must abide by standard labelling requirements which were implemented to ensure consumers can make an informed choice before purchasing an item, as well as guaranteeing that labels are accurate and not intentionally misleading (“Labeling for foodstuffs”, 2016). The label must include the name of the product, a list of ingredients highlighting potential allergens, net quantity, a “best before” date, storage conditions, country of origin, and beginning on December 13th 2016 it must include a nutritional declaration stating energy value and “amounts of fat, saturates, carbohydrates, sugars, protein and salt” (“Labeling for foodstuffs”, 2016). In addition, chocolate products sold in the EU should indicate the composition percentage of cocoa or chocolate (“Cocoa and chocolate”, 2014).

Distributor Agreements

As previously discussed, Danish contract law is lax in the sense that it allows for flexibility in structure, including payment plans for distribution. Rather than passing down VAT and excise duty costs to the consumer, it is optimal to integrate these fees as early in the supply chain as possible. While Me Late Chocolate will incur the bulk of the expense for these tariffs and duties, the Danish distributor will aid in easing the import process and documentation requirements. Business Link UK outlines four ways in which a distribution contract will acknowledge payment: advance payment, letter of credit, documentary collection, and open account trading (“Manage Foreign Suppliers”, 2009). The outline suggests that an exporter

should negotiate for advance payment, the least risky option for Me Late Chocolate, however, a letter of credit from an accredited bank allows a level of protection for both the exporter and the importer by way of introducing an intermediary body into the process. With no major impediments to the transfer of currency between Denmark and Colombia, collecting payment is as easy as wire transferring through each party's respective banks, or utilizing online web services to facilitate the payment process ("The Importer's Guide", n.d.). Additionally, the supplier and distributor can negotiate an agreed upon exchange rate to hedge against unfavourable currency fluctuations.

Conclusion

As Me Late Chocolate continues to prosper as a growing company, international expansion is a logical next step. Having established that the business' high-quality, artisanal products have proven to be a local success, an in-depth analysis of the Danish market allows us to conclude that Denmark would be an ideal launching point for Me Late Chocolate's global endeavors. With a sound business plan in place, the company can utilize its strength in quality to position itself as a premium brand, attracting new customers to indulge in the experience of tasting real, Colombian chocolate.

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