MASTER

Dealing with brand equity in an international sales joint venture
a case study at Vascobelo

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Dealing with brand equity in an International Sales Joint Venture

A case study at Vascobelo

by

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Difficulty for everything is the beginning

[Old Chinese saying that a good start can make things easier at later stages]
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Frank Nak

Antwerp, January 2013
Executive summary

Introduction
Being a coffee lover himself, Jan de Roeck, CEO of Vascobelo, has always been interested in the best coffee available. Throughout his career he has traveled a lot, seen many places and met interesting people. When the opportunity arose Jan de Roeck took over Vascobelo, an artisanal coffee company located in Antwerp, Belgium. They have always produced high quality coffee but remained a sole proprietorship for 14 years. After the takeover the company was repositioned as a premium brand and the mission and vision statements of the company were changed accordingly (Meijer & De Roeck, 2012).

With the repositioning and re-launch of the company a born-global attitude was fitted. This entails that the company pursues a global attitude from inception (Luostarinen & Gabrielson, 2004; Gabrielson & Kirpalani, 2004). This global attitude fits in with the previous experiences and entrepreneurial mindset of CEO Jan de Roeck in seeking international business opportunities. However specific challenges arose for Vascobelo, as a premium brand they are highly dependent of their brand equity. This master thesis report focuses on the challenges encountered by Vascobelo in their international sales joint venture. The objective of the report is to answer the following research question: How can Vascobelo best implement an international sales joint venture while simultaneously expand their brand equity internationally? This is done by identifying relevant joint venture success factors for Vascobelo, taking into account the brand equity of the company.

Analysis and results
In order to answer the research question and provide a practical report for Vascobelo different aspects needed to be considered. Marketing literature was consulted in order to include the important aspect of brand equity into the internationalization ambitions of Vascobelo. It can be concluded that brand equity should be included in every stage of the joint venture. From the outset of a joint venture on into the negotiation phase and even the termination phase, a strong emphasis should be made on brand equity. As this brand equity, together with the quality of the product, is what diversifies Vascobelo as a premium brand it is the driving force that provides Vascobelo with a competitive advantage (Griffith & Ryans, 1997). This strong emphasis is needed to ensure that the joint venture partner shares the same vision of the brand as Vascobelo itself and the brand essence, identity and values of the heritage brand are retained abroad (Melewar & Walker, 2003). The strong Belgian brand equity and the perceived brand foreignness (Batra, Ramaswamy, Alden, & Steenkamp, 2000) back the premium brand and also the premium pricing strategy in the Asian market.

If a classification of the results should be given Hoffmann and Schlosser (2001) provide a rationale to categorize the importance of the international joint venture success factors. Ranking the order of importance is not possible as the order of importance is dependent on the progress of the JV. The success factors given relate to different phases in the joint venture life cycle. One of the most important success factor for Vascobelo is Establish a precise definition of rights and duties of both parties to minimize the need for control. This factor is often overlooked during the design of the partnership and the day-to-day activities of the company. However this factor has far reaching consequences as conflicts reduce efficiency and subvert trust between partners. A second important factor to consider is Contribute specific strengths and look for complementary (or similar) resources in the JV partner. Vascobelo should consider their own strengths and weaknesses during the
strategic analyses and decision to cooperate phase. Based on their own strengths they must have something to offer a JV partner and seek complementary or similar resources for transferring or pooling resources with that partner. The third factor of importance to Vascobelo is *Come up with the required resources needed for start-up*. After all negotiations have taken place and the JV agreement is signed the joint venture needs to get underway. It is in this critical phase that investments need to be made. Especially for a startup as Vascobelo with limited funds these are significant investments. However the benefit of the joint venture depends on the quality and quantity of the input by all parties.

**Conclusion**

The previous paragraph highlights the most important success factors for Vascobelo to follow when starting an international sales joint venture with an Asian partner. The report itself shows more success factors and practical guidelines for Vascobelo to follow in order to increase the chance of a successful joint venture. The research question stated in the first paragraph can be answered based on the research done. To conclude using the success factors mentioned above Vascobelo has a rationale to implement an international sales joint venture whilst at the same time expand their brand equity by gaining international recognition and brand awareness. When the joint venture is successful it will expand the customer base, deliver valuable internationalization experience, expand the brand equity and ultimately lead to company growth. The success factors presented in this report are specifically designed for a joint venture with an Asian partner and can also be used if other joint ventures are to be considered in the Asia Pacific region.
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1 Introduction

1.1 Vascobelo

In times of ever increasing air travel reaching seemingly exotic destinations is becoming more and more common. People are traveling more and the rise of new media further lessens geographic distances. At the same time business opportunities have risen because of the shrinking boundaries. Market opportunities in distant countries are discovered by the click of a mouse. But with the rise of these new opportunities there is an equal rise in challenges and hurdles to be taken before being able to capitalize on these market opportunities. Companies are struggling to reach the international markets in time and come up with new ways of international expansion. This report is the result of a master thesis conducted at Vascobelo, a company looking for advises on how to pursue their internationalization strategy.

Vascobelo is an artisanal coffee company from Antwerp, Belgium. Building on a strong Belgian tradition of artisanal coffee brewers Marc de Roeck started producing coffee 15 years ago. Together with Belgium’s most critical coffee tasters Vascobelo developed a special blend of coffee, Il Presto. A blend of 100% Arabica beans sourced from the best coffee plantations around the globe to create the perfect blend (Meijer & De Roeck, 2012). This blend still is the house blend of Vascobelo and was used as the winning coffee at the 2009 and 2010 World Barista Championships. Vascobelo remained a sole proprietorship for 14 years until in 2011 Jan de Roeck, Marc’s brother, took over the company.

Jan de Roeck is a renowned businessman who started his career at Xerox as sales executive, thereafter he quickly became manager at Dow Jones Telerate before entering the banking sector as Vice President, Global Market Data Management at ABN AMRO, he promoted to Executive Director, Senior Banker specializing in mergers and acquisitions and responsible for advising several successful acquisitions. After this Jan founded MarketXS, a fast growing financial data and technology company with around 100 employees. Under his leadership, MarketXS won the Deloitte award of fastest growing technology company in the Netherlands. Jan sold the company to Markit, a fast growing financial services provider. Only to become Executive Vice President and a member of Markit Group Executive Committee with global responsibility for Markit’s data distribution services including Markit Desktop, Markit Data Feeds and Markit Solutions. Jan was chairman of the internal communications committee and also served as head of Markit’s business and offices in the Benelux (De Roeck, 2012). All in all he is a corporate executive with substantial experience in financial services, market data, corporate finance, derivatives commercial and investment banking and capable of realizing the growth plans of Vascobelo.

As experienced CEO Jan initiated the repositioning of Vascobelo from commodity distribution to high-service premium brand. A professional management team was installed at Vascobelo in order to realize this repositioning. Vascobelo’s vision invigorates this repositioning strategy:

Vision: Putting a premium Belgian coffee brand on the world map, equaling our international references such as chocolate, beer, fashion and diamonds!

This is no easy or quick task and needs the guidance of an experienced CEO to guide this process and ensure company growth. The repositioning of Vascobelo started in December 2011 with the
implemented purchases packaged brand well quality Antwerp. coffee redesign of the logo and the packaging by a renowned design agency. This corporate identity change meant that the quality and feel of the packaging, the logo, the website and all correspondence was in line with the supreme quality of the coffee blend itself and the heritage of the company.

“If you want to be perceived by the customer as a premium brand, all the small details count!”

Jan De Roeck, CEO Vascobelo

Over the past year this brand image is carefully established by selling the coffee only in selected stores. Another important part of the quality of the coffee in the cup is training the baristas (a barista is a person, usually a coffee-house employee, who prepares and serves espresso-based coffee drinks (Merriam-Webster, 2012)) who are using the Vascobelo coffee in order to ensure the quality of the coffee served. Opening pop-up stores in selected places e.g. fashion shows, fund raisers, and a high-end Christmas fair. Finally one of the most important tools used in supporting the brand image is telling the story of Vascobelo. When the product is sold the story of Vascobelo is told with it to invigorate the feel of premium coffee. The story of Vascobelo is a particularly appealing one and makes for a good introduction and first impression. It is a summary of the heritage of Antwerp as a harbor with the largest coffee stocks in the world. The story starts with the love for artisanal coffee produced on own coffee grounds in a fair trade and environmental friendly way. This coffee is harvested and exported to the Antwerp harbor; from there the fresh beans are roasted locally following Vascobelo’s own traditional specifications. To be immediately packed in sustainable packaging to ensure absolute freshness. This story is even more appealing when accompanied by a freshly brewed espresso.

The knowledge that has been created about the brand (Keller K. L., 1993) together with the look and feel of the company makes up Vascobelo’s brand equity. Brand equity is formally defined as: “the value of having a well-known brand name, based on the idea that the owner of a well-known brand name can generate more money from products with that brand name than from products with a less well-known name, as consumers believe that a product with a well-known name is better than products with less well-known names (Keller K. L., 1993, p. 2)”.

Quality is essential if one want’s to be perceived as a premium brand as outlined in the vision statement. This focus on quality is also represented in the mission statement of the company.

Mission: Providing our customers with all that is necessary to maximize the quality of the ‘coffee in the cup’.

As this mission statement highlights, Vascobelo wants to provide the customer with the best coffee possible. In order to achieve this mission Vascobelo is set-up as a service oriented company. The main focus of the company are the coffee beans; either sold as beans, ground beans or as pre-packaged coffee pods. However in order to provide the customer, retailer, or the hospitality industry with the best coffee solutions possible Vascobelo also advises and/or mediates in, for example, the purchases of the coffee grinders, coffee machines or the coffee milk. This advisory role is implemented to achieve a consistent quality of Vascobelo coffee served, whether at home, at the office or in a restaurant.

As a company originated in Antwerp, Belgium the largest customer base of Vascobelo is in the city of Antwerp. But with the city of Antwerp and the surrounding cities being a large sales market there is
still enough potential to expand the customer base locally. However Jan de Roeck has opted for a different strategy, one to simultaneously expand locally as well as start exporting and setting up foreign sales agencies at the same time (Meijer & De Roeck, 2012). As can be seen this strategy is derived from the vision statement and resembles a born globally strategy outlined by (Knight & Cavusgil, 1996, p. 13): “companies that expand into foreign markets and exhibit international business prowess and superior performance, from or near their founding”.

At the time this thesis research is performed Vascobelo had expressed the will and already explored some options for geographic expansion. During various business trips and trade shows Jan de Roeck has met interesting people and has come across different potential internationalization markets. As an entrepreneur Jan saw great opportunities during the meetings he had with businessmen in international markets. However these opportunities were also accompanied by many questions. These questions ranged from what are interesting growth markets or what kind of business structures are best for Vascobelo to how will internationalization affect the brand. To provide direction in the internationalization ambition of Vascobelo this thesis research will focus on the export interests expressed by Jan de Roeck and elaborated on in Meijer and De Roeck (2012). Because of the management changes and strategy changes since the takeover by Jan De Roeck, Vascobelo can be seen as a start-up company. Therefore as a start-up Vascobelo lacks the resources to follow traditional requirements for reaching world markets (Gabrielsson & Kirpalani, 2004) as expressed in the vision statement. To overcome this lack of resources, other means of reaching world markets are explored in this thesis.

Jan de Roeck’s interest in the Asia Pacific region as a possibility for geographic expansion was fueled by promising business contacts he had in Hong Kong. After meeting with contacts from the Flanders Investment and Trade (a government organization aimed at stimulating international expansion of the Flanders region) Jan soon saw business potential in Hong Kong. Flanders Investment and Trade indicted possible grants for setting up local subsidiaries and pointed out some interesting legal and financial agreements between Belgium and Hong Kong. These advantages by government organizations and also the business contacts Jan already knew in Hong Kong were the motive to start a detailed search on Hong Kong as a viable business opportunity.

1.2 Hong Kong

Before making a decision on the entry method of a target markets it is important to have an overview of this market; what players are on the local market, how are the products distributed and in what form is the coffee mostly sold? The answering of these questions will give an insight in the type of entry method most suited for Vascobelo for entering this target market.

Despite being under the Chinese Government, the Hong Kong legal system is still based on the Basic Laws of Hong Kong (Speath, 2004). This means that the country still adheres to the capitalist system of the administrative region that it has exercised when it was under the British rule. This means that a company is free to carry out its business freely provided that it operates within the legal terms of the Basic Law and supplementary ordinances of the land.

Hong Kong is one of the top economies and social destinations in Asia. Its people are often characterized with low uncertainty avoidance (Chan, Chow, Fosh, Snape, & Westwood, 1999); this means that the buyers in the country have the propensity of not planning their purchases.
Furthermore, Hong Kong buyers are said to possess high levels of long-term orientation (Chan, Chow, Fosh, Snape, & Westwood, 1999); this means that the buyers in Hong Kong are inclined to be faithful to a particular brand provided that they have been pleased with its product or services. Also a greater part of the consumers in Hong Kong are deeply proficient of using computer-based platforms (Koo, Lee, & Ngan, 2003). With an extremely technologically confident population, the consumer base in Hong Kong has the propensity to consider convenience as a feature of advantage. Some studies show that a substantial quantity of Hong Kong consumers does online shopping (Lee, Leung, Lim, & Sia, 2004).

The coffee industry in Hong Kong is thriving because of the brewing coffee culture in the region. Although the traditional drink in Hong Kong is tea, with the entrant of large coffee chains a coffee culture is emerging. There is also a growing demand for organic products i.e. organic coffee and tea. According to the research done half of the Hong Kong coffee drinkers think that the coffee from large international chains is of better quality than the coffee from small, independent shops (Patton, 2006). The coffee shop market continues to grow in Hong Kong’s commercial areas. The two largest coffee house outlets are Starbucks operating 109 outlets and Pacific Coffee operating 89 outlets. Most shops also offer basic menus consisting of muffins, pastries, cakes, sandwiches, and bottled beverages (juices and water). McDonalds has also vigorously expanded its McCafe in order to gain share in this growing market. Of its 221 outlets, 66 include a McCafe inside their shops (Li C., 2011).

It is interesting to read that cappuccino is the favorite drink of the people in Hong Kong (29%), followed by mocha (24%) and as thereafter regular coffee (17%), see Figure 1.1. As indicated in the research the reason for this might be that the coffee culture is new to the people in Hong Kong and the first two drinks, cappuccino and mocha are relatively diluted, sweet coffees that suit locale pallets and are easily recognizable (Patton, 2006). Also the instant coffee market is big in Hong Kong, because of space restraints and ease of purchase; these products are available in supermarkets and grocery stores. Moreover, there are also instant products in the market that offer ready cups of coffee. This is seen in vending machines and certain convenience stores scattered all over Hong Kong (unknown, 2010). The number of cups per capita for the region is 5 cups per year for China, 60 cups per year for Hong Kong and 300 cups per year for Japan (Allen, 2011). The Japanese market might look interesting because of its high coffee consumption but this market is already saturated with foreign coffee brands (All Japan Coffee Association, 2012).

Figure 1.1 Coffee consumption types in Hong Kong (Patton, 2006)

As can be concluded from this overview of the Hong Kong market, the coffee culture is emerging. This indicates there are opportunities in the market for Vascobelo. Hong Kong has several advantages for setting up a sales agency. The favorable tax climate in Hong Kong and export
agreements between Hong Kong and Belgium are an advantage for Vascobelo, also considering the benefits provided by Flanders Investment and Trade. The emerging coffee culture ensures there is a demand for a foreign coffee company. Thereby the low uncertainty avoidance of the citizens of Hong Kong shows they are eager to try new products. Furthermore the Asian culture of gift giving provides an extra business opportunity. A future advantage might be that companies that want to enter the Chinese market through a subsidiary in Hong Kong are perceived as more trustworthy in China (Li C., 2011). This could open up a whole new opportunity by itself.

However tempting the Hong Kong market does look, there are a few considerations Vascobelo needs to take into account. One of the major factors in exporting to Asian countries for European companies is the cultural differences (Flanders Investment and Trade, 2012). Furthermore the lack of resources for setting up an own subsidiary calls for a different approach. The solution chosen to overcome both issues is setting up a joint venture with a local partner. A joint venture mitigates the need for a large venture capital (Hoffmann & Schlosser, 2001; Gabrielsson & Kirpalani, 2004) and entering the new market via the joint venture partner can overcome cultural differences (Gale & Luo, 2004; Flanders Investment and Trade, 2012). However a lot of issues need to be overlooked and researched to reach a conclusion and to provide Vascobelo with a solid advice. Therefore the research question for this report is stated as following:

**How can Vascobelo best implement an international sales joint venture while simultaneously expand their brand equity internationally?**

In order to be able to answer this research question several steps need to be made. First off a literature search is performed on joint venture success factors. A brief literature review provided some interesting insights into international joint venture success factors. The works of Hoffmann and Schlosser (2001) and Gale and Luo (2004) provide success factors for joint ventures in China. However the aspect of brand equity is not covered in this literature. Therefore this thesis report will combine lessons learned from internationalization literature as well as from marketing literature. Synthesizing these fields of research might yield new insights on forming joint ventures whilst transferring and expanding the brand equity of Vascobelo into foreign markets.

A case study is presented in order to validate the literature results. The case study is conducted with Belgian food and beverage companies who have set up a sales joint venture with Hong Kong in order to distribute their products to Hong Kong or China. This strict respondent selection guarantees case study reliability. Synthesizing these theoretical success factors with the case study findings will result in a practical guide with dos and don’ts for Vascobelo to keep in mind when forming a joint venture with a Hong Kong partner.

The remainder of this document is structured as follows: chapter 2 will give a theoretical background on the topics covered in this report, namely the internationalization literature, the joint venture and brand equity literature. Chapter 3 gives an insight into the methodology used to conduct this case study research. The following chapter, 4, gives an analysis of the results obtained from the case study research conducted. The penultimate chapter is a synthesis of the literature and the results and provides a list of success factors affecting the international joint venture strategy of Vascobelo. The final chapter draws conclusions from the report and reflects on the findings, also theoretical implications are given.
2 Theoretical background

As highlighted in the introductory chapter Vascobelo is an ambitious company with a strong preference for international growth. This international growth is a risky undertaking (Miller, 1983) in order to minimize the risk for Vascobelo a theoretical background on internationalization and marketing literature is given. This theoretical background will help answer the research question based on research done in the past. Furthermore the literature research done will highlight any gaps in the literature that need to be addressed in the following chapters.

This chapter gives a theoretical background on the different topics involved in the internationalization strategy employed at Vascobelo. First off the internationalization strategy is highlighted and the issues addressed in this field of research are given. As stated in the introductory chapter Vascobelo has decided to pursue an internationalization strategy and has chosen to use a joint venture as internationalization market entry strategy. The second paragraph elaborates on this joint venture literature and because of the high failure rate of joint ventures (Park & Russo, 1996) highlights joint venture success factors. As Vascobelo is a premium Belgian product, brand equity is of great importance when pursuing an internationalization strategy (Melewar & Walker, 2003) therefore the third paragraph elaborates on the brand equity literature.

2.1 Internationalization

The ambition of Vascobelo is to increase revenue by expanding internationally. As stated by Banninger and Greening (1998) this is one of the most important strategies for SME firm growth. Geographic expansion into new markets will expand the potential customer base. Expanding the customer base will result in a larger volume of production and growth (Lu & Beamish, 2001). This expansion has multiple benefits; one is a greater leverage and buying power towards suppliers because of the greater production numbers. Secondly the expansion of the customer base will yield more profit as more products are likely to be sold. Also there are differences in market conditions in different geographic areas. Leveraging resources in different markets allows a company to capitalize on market imperfections and achieve higher returns on their resources (Lu & Beamish, 2001). For example, Asian countries have a tradition of gift giving (Flanders Investment and Trade, 2012) as a means of building relationships, both personally as well as business wise. A luxury product like foreign premium coffee can be marketed and priced as a gift in order to capitalize on these market conditions.

In internationalization many opportunities exist but also many pitfalls exist. Entering new markets has some important difficulties that need to be accounted for, especially for SMEs. Two of the liabilities that exist are the liability of foreignness (Hymer, 1976), if the target market is dissimilar to the original market. This is of importance as there are significant differences between the Belgian home market of Vascobelo and the Asia Pacific target market i.e. economic, political or social (Flanders Investment and Trade, 2012). The second liability is the liability of newness (Stinchcombe, 1965), if new subsidiaries are established. This liability of newness is of less importance as Vascobelo will be entering into a joint venture with a local partner who is already established in this market (Baninger & Greening, 1998).

If a significant difference exists between the home market of a company and a new market there is a high probability that the knowledge and capabilities that have been developed cannot be used in the new target market. New knowledge and capabilities need to be acquired or developed to
successfully enter the new market (Lu & Beamish, 2001). These liabilities are encountered when first entering new markets because of the differences in political, economic, legal and cultural dimensions and force the firm to release the lessons learned in the home country (Lu & Beamish, 2001). These liabilities even increase for SMEs as they are characterized by limited resources and small size (Miller, 1983).

2.1.1 Born globals

However as highlighted in the introductory chapter Vascobelo can be considered a born global company. A born global company still faces these challenges and liabilities but uses a different approach from inception and circumvents many of the existing international business research paradigms (Gabrielsson & Kirpalani, 2004). A born global company is defined by Oviatt and McDougall (1994, p. 49) as “born globals from inception, seek to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries”. A born global company thus pursues a vision of becoming global from their inception and often globalizes rapidly without any preceding long term domestic or internationalization period (Luostarinen & Gabrielsson, 2004; Gabrielsson & Kirpalani, 2004). The one thing that sets born globals apart from other firms is the entrepreneurial-minded executive making strategic choices (Child, 1998; Turnbull, 1987). In this entrepreneur paradigm controlled vision must be allowed to dominate rational calculations (Gabrielsson & Kirpalani, 2004). Only with this entrepreneurial mindset can companies grow international rapidly because stages set by the current internationalization literature are skipped. The gap between the resources available and the aspirations of the firm can now be bridged. The concept of leverage can be a means to bridge this ‘strategic misfit’ i.e. reach the aspiration without changing the resources. As Madsen and Servais (1997, p. 578) put it, born globals can be expected to rely more on “supplementary competences sourced from other firms; in their distribution channels they more often rely on hybrid structures (close relationships, network partners, etc.).” Various methods and channels can be used to make a firm more effective and efficient and to save costs (Gabrielsson & Kirpalani, 2004). Vascobelo uses these channels to lessen the risks and liabilities associated with startup companies and internationalization. New distribution channels, such as e-business (McDougall, Covin, Robinson Jr, & Herron, 1994) are also used. Furthermore the joint venture described in the following paragraph is a networking channel used to reduce the risk and lower the cost of internationalization.

2.2 Joint Ventures

With the ambition of geographical expansion stated, a decision has to be made on the entry method. Different entry methods exist including exporting, licensing, joint venture and sole venture (Agarwal & Ramaswami, 1992). Several factor to determine the enter method choice have been discussed in previous literature. These factors can be classified into three theories, transaction cost base theory, strategic motivation theory and organizational theories (Kogun, 1988). The transaction cost based theory uses minimizing the costs for production and transactions as the decision method (Williamson, 1981). The strategic motivation theory uses maximizing profits through improving a firm’s competitive position against rivals (Kogun, 1988). The third rationale, organizational knowledge and learning theory, views a joint venture as a means by which firms learn or seek to retain their capabilities (Kogun, 1988) and by which tacit knowledge is transferred (Polanyi, 1967). In order to overcome the liabilities outlined in the previous paragraph (2.1) and using the decision methods of the aforementioned theories Vascobelo has chosen a joint venture as the ideal entry
strategy. Narrowly defined “a joint venture occurs when two or more firms pool a portion of their resources within a common legal organization” (Kogun, 1988, p. 228).

A joint venture is a strategic alliance between two or more individuals or entities to engage in a specific project or undertaking. Partnerships and joint ventures can be similar but in fact can have significantly different implications for those involved. A partnership usually involves a continuing, long-term business relationship, whereas a joint venture is based on a single business project (Kogun, 1988).

Companies enter into a joint venture to gain individual benefits, usually a share of the project objective. This may be to develop a product or intellectual property rather than joint or collective profits, as is the case with a general or limited partnership. A joint venture, like a general partnership is not a separate legal entity. Revenues, expenses and asset ownership usually flow through the joint venture to the participants, since the joint venture itself has no legal status. Once the joint venture has met its goals the entity ceases to exist.

Advantages of joint ventures are:

- Provide companies with the opportunity to gain new capacity and expertise
- Allow companies to enter related businesses or new geographic markets or gain new technological knowledge
- Access to greater resources, including specialized staff and technology
- Sharing of risks with a venture partner
- Joint ventures can be flexible. For example, a joint venture can have a limited life span and only cover part of what you do, thus limiting both your commitment and the business' exposure.
- In the era of divestiture and consolidation, JV’s offer a creative way for companies to exit from non-core businesses.
- Companies can gradually separate a business from the rest of the organization, and eventually, sell it to the other parent company.

Disadvantages of joint ventures are:

- It takes time and effort to build the right relationship and partnering with another business can be challenging. Problems are likely to arise if:
  - The objectives of the venture are not 100 per cent clear and communicated to everyone involved.
  - There is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners.
  - Different cultures and management styles result in poor integration and cooperation.
  - The partners don't provide enough leadership and support in the early stages.
- Success of a joint venture depends on thorough research and analysis of the objectives.

Embarking on a joint venture can represent a significant reconstruction to the business. However favorable it may be to the potential for growth, it needs to fit within the overall business strategy of the company.
There is sufficient literature on joint ventures and also on joint venture success factors. But when searching for international joint venture success factors, especially joint ventures with Asian parties, there is ambiguity on the definition of ‘joint venture success’ and the data used to measure success by. In this report the definition by Gale & Luo (p.34, 2004) is used: “both partner(s) and host government perceive sufficient benefits in relation to costs, as well as satisfying their strategic objectives”. Another issue with the determination of key success factors in joint venture performance is the different stages of a JV life cycle i.e. the formation stage, operation stage and termination or continuity stage. Generally the success factors of a JV are viewed over the complete life cycle and not assessed at the individual stages of the JV, this gives confusing results to practitioners implementing the strategies recommended by the researchers (Gale & Luo, 2004) as the recommendations might differ per stage. Hence, the following paragraphs are divided in five different phases of the JV life cycle.

2.2.1 Strategic analysis and decision to cooperate
The first phase in a joint venture is the strategic analysis and the decision to cooperate. In this phase the use of joint ventures is seen as a mode of implementing strategies and achieving strategic goals derived from the business strategy (Hoffmann & Schlosser, 2001). The analysis of the business strategy must evaluate if and how an alliance can improve the company’s strategic position in the particular business (Porter & Fuller, 1986).

2.2.2 Search for a partner and partner selection
Research has emphasized the importance of selecting a suitable partner in the formation of a JV (Yan & Gray, 1996; Luo Y., 1998). In addition to this Gale and Luo (2004) find that both Chinese and European partners regard partner selection as the most important joint venture success factor. Furthermore obtaining enough information about potential partners before negotiations is an important success factor in JV success (Gale & Luo, 2004; Luo Y., 1998).

2.2.3 Designing the partnership
After the first two phases the decision is made to start a joint venture and the ideal partner is found. The success of a joint venture essentially depends on whether it can be configured to minimize behavioral uncertainty and the resulting need for control (Hennart, 1988). Thus the next step in the process is the design of the partnership and setting up JV agreements. These agreements act as an important factor in supervising, regulating and guaranteeing both parties’ rights, responsibilities and duties (Gale & Luo, 2004; Dymsza, 1988; Hammoutene, 1995). But before an agreement can be signed a clear identification of partner’s objectives needs to be established (Gale & Luo, 2004). An important factor during this initial phase is building trust by unilateral commitments and avoiding opportunistic behavior. Thus potential conflicts should be avoided from the outset by establishing a clear identification of partner’s objectives, precise targets and task definitions (Hoffmann & Schlosser, 2001) as conflicts reduce efficiency, subvert trust between partners which results in extra costs for conflict resolution. When trust is built and both parties agree on the control of ownership of the JV, the JV contract can be signed and the JV is officially underway.

2.2.4 Implementation and management of the partnership
The next phase in the joint venture relationship is the implementation and the day-to-day management of the JV. But before the JV is implemented there is an aspect that should not be overlooked. Namely realizing that the JV partner will have a different management culture.
Differences in managerial style, corporate culture and business culture can lead to conflicts and instability (Dymsza, 1988; Datta, 1988; Peterson & Shimada, 1978; Wright, 1981). However if the Western company adopts a flexible attitude in doing business overseas and learns to understand the values of different cultures (Gale & Luo, 2004) these problems can be prevented. Furthermore it should be noted that Chinese partners also expect long term cooperation and benefits of the JV (Gale & Luo, 2004).

In order to set up the joint venture both parties will have to come up with the required resources as agreed upon in the JV agreement. This means determining the tangible and intangible assets, employees and financial funds required (Hoffmann & Schlosser, 2001). An important decision that needs to be made is whether these assets become mutually owned or remain property of the individual owners (Hoffmann & Schlosser, 2001). The benefit of the JV will depend on the quality and quantity of the input by all participants.

Once the commitments by both parties have been made it is time to start the first common project. This project is meant for the partners to get used to working with each other and for them to see the alliance become reality. This first project is of great importance for the remainder of the JV success as early, measurable, success will strengthen the ties (Hoffmann & Schlosser, 2001). Also this early success will give confidence in the future of the JV and convince any skeptics left.

2.2.5 Termination of the partnership
The final stage of a joint venture is the termination phase. This is a difficult stage and requires delicacy and skills. Especially in JV’s with Asian partners it is important for the partner not to lose reputation. To prevent this loss of reputation it is important that both partners agree upon the termination and both partners are completely informed and treated respectfully. It is wise to already prepare for termination in the design phase. If the prerequisites and conditions for the termination are already defined in the design phase this will prevent disagreement at the moment of termination (Hoffmann & Schlosser, 2001).

2.3 Brand equity
Brand image is the value of having a well-known brand name, based on the idea that the owner of a well-known brand name can generate more money from products with that brand name than from products with a less well-known name, as consumers believe that a product with a well-known name is better than products with less well-known names. (Keller K. L., 1993). Brand image is important for a company for two reasons. One reason is a financial reason and uses brand valuation methods (Barwise, Higson, Likierman, & Marsh, 1989; Wentz, 1989) to determine the value of a company for accounting purposes. The second option is of interest for this research and for Vascobelo and is a strategy based reason, namely improving marketing productivity (Keller K. L., 1993). However brand image is difficult to transfer to foreign markets for a startup company as the product that is introduced is new to this market, i.e. not well-known. Therefore more factors are important to take into consideration when entering international markets, for example the brand essence, its identity and values of the heritage brand (Melewar & Walker, 2003). These factors together are referred as brand equity.

One of the firm’s most valuable intangible assets for improving its marketing productivity is the knowledge that has been created about the brand in consumers’ minds (Keller K. L., 1993).
Vascobelo has carefully created this knowledge about the brand by previous marketing outings, its product placement, corporate identity and its selected sales channels as explained in chapter 1.1. However as a brand becomes better known to the general public brand equity is increasingly being determined by factors outside the company’s direct control (Keller & Lehmann, 2006) e.g. word of mouth publicity or consumer reviews.

As stated before the brand equity is the driving force that provides a firm with a competitive advantage in the global market (Griffith & Ryans, 1997). The company itself has to ensure that “the brand essence, identity and values of the heritage brand are retained abroad” (Melewar & Walker, 2003, p. 162). Vascobelo has carefully created this brand equity for the home market, Belgium. It is now key to retain and expand this brand equity to the new export markets. Since the convergence of markets calls for the creation and communication of a uniform brand image (Okazaki, Taylor, & Doh, 2007) and because of the increasing complexities in the international business market a need for effective management of corporate branding is needed (Lee & Griffith, 2012). It is however important not to underestimate the export of the brand as a simplified approach to market entry and brand image interaction can damage a brand’s image (Lee & Griffith, 2012).

There are two different strategies possible when entering foreign markets while maintaining global brand equity. One option is the go-it-alone strategy and the second option is a brand alliance (Lee & Griffith, 2012). The decision is made within Vascobelo to pursue the go-it-alone strategy as proposed by Lee and Griffith (2012). Thus not forming an alliance with a local brand in order to capitalize on their local brand equity but rather to launch the Vascobelo brand on its own. The main reason for the go-it-alone strategy is not having the risk of diluting the brand image by associating itself with a local partner. This entering of the market alone has the additional positive effect of Perceived Brand Foreignness (PBF). PBF refers to the consumer’s perception that the brand is of foreign or non-local origin (Batra, Ramaswamy, Alden, & Steenkamp, 2000). Evidence shows that brands with PBF benefit from foreign image and appeal (Ger, Belk, & Lascu, 1993). This is especially true for Asian countries where foreign premium brands are highly regarded.

It is this value of the heritage brand that Vascobelo is keen on transferring to new markets. Although a startup company the coffee Vascobelo produces is highly regarded in Belgium and also internationally. A reward for this quality has come with providing the winning coffee blend at the World Barista Championships. These are tangible achievements that can be transferred to foreign markets to underline the status of the brand. By incorporating the Belgian brand equity during the brand placement in a foreign market a solid base for the brand is created.

Another point of attention is the set-up of an international branding strategy, in other words, the transfer of a consistent brand image across markets (Lee & Griffith, 2012). Based on the findings of the report by (Douglas & Craig, 2002) there is no unambiguous answer to be given on the international branding strategy, however an international brand architecture provides a structure and a rationale for branding decisions at different levels of the organization and for different geographic locations. This architecture provides the principles that guide the effective use of brands so as to develop a strong positional advantage in international markets. Companies operating internationally need to identify opportunities for strengthening their positions through improved co-ordination and harmonization of brands across countries and building a cohesive and effective architecture for their brands. “A key element of success is the framing of harmonious and consistent
brand architecture across countries and product lines, defining the number of levels and brands at each level. Of particular importance is the relative emphasis placed on corporate brands as opposed to product level brands and the degree of integration across markets. The findings of this exploratory study suggest that there is no one optimal patterns of brand architecture. Each firm has its own unique structure, depending on its prior branding history, mode of expansion, and corporate culture (Douglas & Craig, 2002, p. 21)

2.4 Reflection

The ambition of Vascobelo to optimize revenue by expanding its customer base geographically is a tried concept for SME’s. There is ample literature on internationalization success factors (e.g. Lu & Beamish, 2001; Baninger & Greening, 1998). Also a joint venture as an entry strategy has widely been discussed in literature (e.g. Agarwal & Ramaswami, 1992; Buckley & Casson, 1998). The concept of brand equity has also seen much attention (Keller K. L., 1993). However the combination of the internationalization and business strategy literature on the one hand and the marketing and brand equity literature on the other hand remains a gap in the literature.

The important note to take from the brand equity chapter (2.3) is that brand equity is of the utmost importance for firms (Griffith & Ryans, 1997). Moreover it is the driving force that provides a firm with a competitive advantage in the global market. But brand equity must be assessed at the individual level as it is highly dependent on the specific situation. Therefore it is difficult to generalize the results found in the literature and probably the reason the gap in literature still exists. As experienced on first hand at Vascobelo the company has tried hard to establish certain brand equity in the home market and has succeeded in doing so. But to preserve this brand equity while entering into a joint venture is very difficult. It has been hard to name the key success factors that make up the Belgian brand value. It is even harder to transfer or adjust these success factors to a completely different market. Especially as there is a joint venture involved and a joint venture partner who has to acknowledge, understand, respect and carry out these brand values. A telling example from Vascobelo is the logo design. This logo is professionally designed in Belgium and printed on every product and has become a brand mark. But during export to Japan it became clear that this brand mark is not received and perceived the same in every country. The Japanese partner referred to the brand mark as: ‘spooky, lugubrious and unsuited for the Japanese market’. The question then arises whether or not to change the brand mark for use in a foreign market. This question however conflicts with the brand equity established in Belgium and begs the question whether to introduce different product level brands for different countries. This is a difficult question to answer and is up for discussion with the local partner as this issue might impede sales. However on a higher level Vascobelo is pursuing a go-it-alone strategy, as explained in chapter 2.3, it is thus wise to use the same product name across different countries to ensure corporate branding and to maximize the Belgian brand equity.

On a higher level as the preceding example decisions have to be made on the intersection between the fields of joint venture and brand equity. Therefore this thesis forms a synthesis between the two fields of research and provides the company with the guidelines on setting up this joint venture taking into account the brand equity of the company. From the brand equity literature it becomes clear that brand equity is of the utmost importance for a company (Griffith & Ryans, 1997). Therefore the care for the brand equity should be incorporated in every phase in the joint venture process.
The great advantage a joint venture brings is that both partners are related to each other. Therefore mutual agreements are self-enforced as each party finds it beneficial not to bridge the mutually understood intent and terms of the relationship (Klein, 1996). This also holds true for brands (Klein, 1996) as the joint venture partner can only benefit of maintaining the brand equity of Vascobelo, it can be seen as an ‘self-enforcing agreement’. 
3 Methodology

The goal of this research is to design a good case study and to collect, present and analyze the data fairly. A further goal is to bring the case study to closure by writing a compelling report. It is therefore important to follow a rigorous methodological path. Equally important is a dedication to formal and explicit procedures when doing this research.

A case study is relevant the more the research questions seek to explain some present circumstances: how and why some social phenomenon works or if your research questions require an “in-depth” description of some social phenomenon. The focus is non-understanding these social phenomena. So in general the case study has a general advantage when a ‘how’ or ‘why’ question is being asked about a contemporary set of events over which the investigator has little or no control.

Perhaps the greatest concern has been the lack of rigor of case study research. Too many times, the case study researcher has been sloppy, has not followed systematically procedures, or has allowed equivocal evidence or biased views to influence the directions of the findings or the conclusions. A second concern is that they provide little basis for scientific generalization. The short answer is that case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes.

3.1 Research design

The case study conducted here is based on the leading methodology in case study design proposed by Yin (2009). The case study is based on the form expressed in Figure 3.1 in order to provide a rigorous case study research.

![Case study research protocol (Yin, 2009)](image)

The next task is to design the case study. In this phase a plan or research design is needed. A research plan guides the investigator in the process of collecting, analyzing and interpreting observations. It is a logical proof that allows the researcher to draw inferences concerning causal relations among the variables under investigation (Nachmias & Nachmias, 1992).

3.1.1 The study’s question

The main question throughout this thesis research is: How can Vascobelo best implement an international sales joint venture while simultaneously expand their brand equity internationally? In order to answer this research question several steps need to be taken. The literature search is already performed and discussed in chapter 2. Although this theoretical background provides us
with a lot of options and guidance, there are several points that need clarification or validation in order to be relevant to Vascobelo. One of the issues that came up from the literature search is the integration of brand equity into the joint venture phases. The literature is scarce on this combination and specific interpretations of how to integrate brand equity during the joint venture phases remains unclear. Therefore the questionnaire sent to the respondents focusses on this integration in order to answer the research question.

3.1.2 Unit of analysis
In order to perform a case study a strong selection of potential respondents needs to be made to assure a relevant response to the questionnaire. A clear scope of the research was established: Dutch or Belgian food and beverage companies who have set up a sales joint venture with Hong Kong in order to distribute their products to Hong Kong or China. The first means of contact with companies was made by using the contacts of government institutions, the local chambers of commerce in Hong Kong and Dutch and Belgian trade institutions. These contacts provided some leads to interesting companies, although no companies were selected to participate in this research. A specific internet search on Dutch and Belgian food and beverage companies resulted in leads and from these companies a few were contacted to ask if they were willing to participate in this research. One company responded positively to this question and the questionnaire was presented to them, the contact persons who will be filling out the questions are actively involved in the joint venture and are able to fully answer the questions. To improve the reliability of the case study a two-sided research was conducted, a person from the Belgian joint venture partner was interviewed and the same questionnaire was sent to the Hong Kong partner of the joint venture. With this data triangulation, the potential problems of construct validity can be addressed because the multiple sources of evidence essentially provide multiple measures of the same phenomenon.

3.1.3 The logic linking the data to the propositions
The pattern-matching technique is used to link the logic to the data and strengthen the internal validity. As the case study is an explanatory one, the patterns may be related to the dependent variables of the study. The dependent-variables pattern may be derived from one or more potent quasi-experimental research designs, labeled a “nonequivalent, dependent variables design”. For this study the pattern matching occurs in the following manner: If for each outcome, the initially predicted values (i.e. the joint venture success factors) have been found, and at the same time alternative “patterns” of predicted values (including those deriving from methodological artifacts, or “threats” to validity) have not been found, strong causal inferences can be made (Yin, 2009).

To strengthen the inferences that can be made from the case study it is important to note the competence of the respondents in answering the questions. The Belgian joint venture partner interviewed in Appendix II is the CEO of the Belgian joint venture partner, he is the person who signed the joint venture contract and is responsible for all communication with the Hong Kong partner. The interviews took place on different occasions; the first meeting was at the start of the research in order to establish issues in an international sales joint venture. When the full questionnaire was finished it was simultaneously sent to him and also to the Hong Kong partner. After receiving the questionnaire a new appointment was made and some interesting findings were discussed and clarified. The Hong Kong joint venture partner is the CEO of the company. He is the person responsible for the product placement and sales in the local market and for reaching the established targets. He is also the person who signed the joint venture contract and he is the main
contact for the Belgian partner during communications. The questionnaire was sent to him at the same time it was sent to the Belgian partner. Both persons are fully capable of answering the questionnaire and therefore enhance the reliability of the case study (Yin, 2009).
4  Analysis

4.1  Introduction
This analysis chapter consists of a written out version of the answers given by the respondents in reaction to the questionnaire sent to them (appendix II). The answers given by the respondents are merged into a storyline and synthesized with the theoretical background of chapter 2. Because of the specific nature of the two-sided case study the decision is made to write out the questionnaire and interview results to capture as much information as possible. The following paragraph contains the motives of the respondents for setting up an international sales joint venture and the answers to the questionnaire. Respondent X refers to the Hong Kong partner and respondent Y refers to the Belgian partner (Appendix II Case study database).

4.2  Case study results
The first background questions of the questionnaire are included for the participant to feel at ease with the questions (Yin, 2009). These questions are also a good indication to compare the two respondents’ answers. What stands out is the level of similarity between the respondents in answering the questions. Of course this is what should be the case but it is clear both parties have the same view and feeling of the joint venture. This similarity in the results of the two-sided case study increases the reliability of the case study results (Yin, 2009).

Both parties agree that the decision to cooperate is made based on a strategic analysis (Porter & Fuller, 1986) and the desire to achieve the strategic goals derived from the business strategy (Hoffmann & Schlosser, 2001). The goal is to expand the brand internationally and set up a proprietary store in Hong Kong. The setup of a proprietary store ensures that the brand equity of the Belgian brand is transferred to the Asian market as desired and no dilution of brand image can occur (Lee & Griffith, 2012).

Once the decision is made to cooperate and start a joint venture the next big question arises; which partner to choose. The partner selection process is of great importance to the success of the joint venture (Yan & Gray, 1996; Luo J. , 1998). Some discrepancy between the answers given is observed. As one of the respondents (respondent X) noted important partner selection criteria are; passion for the product, a common language between the partners for proper communication, a good background with business sense and knowledge, an understanding of the cultural values of the Belgian product but the most important partner selection criteria of all is trustworthiness. However the Belgian partner responded that the potential partner should be capable and trustworthy. This might indicate a difference in standard in selecting a partner, but both parties are looking for a trustworthy partner. Brand equity was also included in the factors affecting the partner selection and the decision to cooperate. The brand equity was taken into account as the partner must respect and have a feeling for the product in order to satisfactory represent the previously built local brand value. This factor was important to both respondents.

During the initial contact with the partner a clear identification of the partner’s objectives needs to be established (Dymsza, 1988). The respondents had a clear and concise vision of the objectives from both parties before any agreements were signed. Furthermore some specific targets were set for the joint venture and then a joint venture agreement was signed. Thus by following the results found by Hoffmann and Schlosser (2001) from the outset; establishing a clear identification of
partner’s objectives establishing precise targets and task definition, potential conflicts were avoided. An interesting finding is that brand equity is not part of the joint venture agreement. It is believed that the joint venture partner will enforce the brand as this will be to his own benefit. However there is more risk involved in this thrust based strategy as some control over the brand image is transferred to the foreign partner. To reduce some risk involved the joint venture contract does state a minimum duration of the joint venture, namely a minimum of 5 years. The formulation of a minimum JV duration prevents opportunistic behavior from both parties and helps build trust and a stable joint venture (Hoffmann & Schlosser, 2001; Gale & Luo, 2004).

During the course of the joint venture certain milestones were used to evaluate the performance of the JV. The milestones used were predetermined sales targets as recorded in the JV agreement. The use of milestones can provide an enlightening insight into the interim performance of the joint venture. When this performance is positive it will boost morale and give confidence in the future of the JV (Hoffmann & Schlosser, 2001). The JV studied is clearly set up as a sales JV, therefore the control of ownership is narrowly defined and there was complete consensus from both parties on this aspect. The foreign partner is entrusted with the sales of the Belgian product in Asia. This is also represented in the control of ownership as the Asian partner is fully responsible for the control of the joint venture. The Belgian partner provides the goods to be sold and the Asian partner is responsible for the sales. This is reflected in the JV agreement with the established sales targets. As mentioned before this form of partnership requires a lot of trust and patience with the foreign partner as this partner is responsible for promoting the brand and properly representing the brand equity. However as being a joint venture the success of the JV still depends on the quality and quantity of the input from both partners (Hoffmann & Schlosser, 2001). Disagreements about the chosen business methods are bound to happen. If these are related to a brand equity issue the Belgian partner always has the final say in order to prevent friction or conflicts (respondent X). As stated earlier conflicts need to be avoided at all costs, especially in the early stages of the joint venture (Dymszia, 1988; Hennart, 1988; Hoffmann & Schlosser, 2001).

The respondents made a clear decision not to adjust their brand for the Asian market. It is not uncommon to change a product to adjust it to the local Asian palate (Flanders Investment and Trade, 2012). However the respondents found their products to be of such renowned quality that adjusting the taste could dilute the brand equity. Furthermore the Asian market is keen to try new products (Chan, Chow, Fosh, Snape, & Westwood, 1999) and adjust their likings to the Western palate. The culture of gift giving was also considered. Also marketing wise no changes are made to the product for the same reasons given above. In fact the perceived brand foreignness is used as an asset for its foreign image and appeal (Ger, Belk, & Lascu, 1993) as a Western gift product. Significant effort is spent by the Asian partner to profile the product in the Asian market conform the Belgian brand equity. The only addition for the Asian market are more luxurious gift boxes but with the same products inside, these boxes are designed by the Asian partner and checked and approved by the Belgian partner.

The joint venture is perceived as successful by both partners thus the efforts made by both parties to promote the brand in the Asian market are fruitful. Also the brand equity is extremely well represented by the Asian partner (respondent X, respondent Y). These are however perceived feelings and not based on sales figures but it is clear that being perceived as successful is essential for creating a successful joint venture. The aforementioned measures to control and guide the joint
venture have proven to minimize behavioral uncertainty and the resulting need for control (Hennart, 1988) in order to turn this joint venture into a successful internationalization alliance.

As a concluding question to the respondents the most important success factor in this joint venture was asked and the respondents unanimously highlighted trust as the most important success factor.

An interesting finding that emerges from the respondents is the difference in involvement of both parties. On the face of the results it looks like the Hong Kong partner invests much more time and effort in the joint venture and is more concerned with the results and day-to-day business. To some extent this is expected in a sales joint venture as the Belgian partner provides the products and the Hong Kong partner is selling the products but also in the brand equity level there were noticeable differences. However a quick inquiry teaches us that this is a very busy period for the Belgian partner. The Christmas and New Year period is the busiest period for a chocolatier as chocolates are a great gift giving product. This means the Belgian partner has already discussed the way of working with the Hong Kong partner during the quieter summer periods. And less during the period this questionnaire was answered. The relationship between the partners ensures that the work done by the Hong Kong partner is satisfactory for the Belgian partner and beneficial for the joint venture.

Based on the findings from the respondents a significant proportion of success factors found in the literature are represented by the respondents as can be concluded from pattern-matching. Strong causal inferences can be made that the success factors described in the theoretical chapter (Chapter 2) are applicable to Vascobelo. The international sales joint venture success factors of interest for Vascobelo will be discussed in the following chapter.
5 Success factors

5.1 Introduction
This chapter consists of the critical success factors applicable to Vascobelo as derived from the theoretical chapter and the experiences of the case study respondents. Based on the findings from the analysis chapter the generalized success factors found in literature are also applicable to Vascobelo and other startup food and beverage companies. This chapter will highlight the success factors and most importantly the implications for Vascobelo. The chapter is structured in a chronological order of joint venture phases and concludes with a reflection paragraph. The individual joint venture phases are structured as follows: first the theoretical background of the phase is given, next the results from practice are presented and then these two are synthesized and recommendations to Vascobelo are given based on the aforementioned results.

The preceding questions on internationalization or entry method are discussed in chapter 2.1 and are of less interest to Vascobelo at their current stage in the JV process and are therefore outside the scope of this thesis. As Vascobelo has decided to pursue an international joint venture strategy for their globalization efforts this chapter focuses on the international joint venture success factors to cooperate with an Asian partner.

5.2 Strategic analysis and decision to cooperate
The strategic analysis is already made at Vascobelo, as stated in the business plan (Meijer & De Roeck, 2012) Vascobelo has the ambition to export. If future joint ventures in the Asia Pacific might be at issue the following success factors are to keep in mind.

The first success factor applicable to Vascobelo is to derive the alliance objectives from the business strategy (Hoffmann & Schlosser, 2001). By following this route the joint venture will always be aligned with the strategic position of the company in this particular business (Porter & Fuller, 1986). As stated in the business plan (Meijer & De Roeck, 2012) Vascobelo aims to expand its business using foreign joint ventures. Therefore the joint ventures should have this objective in mind. In order to establish a successful JV the company should contribute individual strengths and look for complementary (or similar) resources in the joint venture partner (Hoffmann & Schlosser, 2001; Luo Y. , 1998). This means that Vascobelo should have a good overview of its own strengths and resources (e.g. premium product, managerial expertise) in order to find complementary or similar resources in a JV partner. Brand equity should also be considered as their own strength. Based on their own strengths they must have something to offer a JV partner and seek complementary or similar resources for transferring or pooling resources with a partner (Ahuja, 2000). Also a realistic time path needs to be considered to establish a successful JV. For all the partners to agree on all the major points of the JV extensive negotiations need to take place (Lorange, Roos, & Bronn, 1992). Additionally most JV’s are set up step by step, which may add up to several years before a JV reaches its full potential.

Practice learns that the decision to cooperate is made after a strategic analysis and the desire to achieve the strategic goals stated in the business strategy. The setup of an own proprietary store ensures the control over the brand equity and that no dilution of the brand image can occur.
It shows that the practice is aligned with the theory and for Vascobelo this means that following the guidance of the theory is advisable in this phase of the JV lifecycle. The intention to engage in a JV is already derived from the business strategy, showing Vascobelo is on the right track. It is also advisable for Vascobelo to include brand equity as one of its own strengths. Doing so will make sure that this important part of the Vascobelo brand is not overlooked during the JV partner search and setup.

### 5.3 Search for a partner and partner selection

Selecting the right partner for the joint venture is the most important success factor in international joint ventures (Yan & Gray, 1996; Luo Y. , 1998; Gale & Luo, 2004). This factor is perceived as the most important success factor by both the Chinese and the western partner (Gale & Luo, 2004). For the Hong Kong or Chinese partner the emphasis on the trust and relationship building culture (Flanders Investment and Trade, 2012) is evident. However the research by Gale and Luo (2004) shows that the partner selection is equally important for the western partner and not only related to culture.

Before selecting a partner and going into negotiations it is important to obtain enough information in advance. This information gives insight into the background of the potential partner and is useful in entering into negotiations with this party. This factor is often overlooked but is apparently significant for parent firms in choosing the right JV partner and conducting successful negotiations with them. In these times of modern information channels obtaining enough information before negotiating with the potential cooperation partner is crucial. As stated by Gale and Luo (2004) this information should at least include the partner’s company size, qualifications, organizational structure, previous experience and reputation, capital assets and property, business specialists, managerial personnel, facilities-equipped, share of local and international markets and research and development capability.

The respondents indicated several partner selection criteria (Chapter 4.2) they used in selecting the right partner. Note that these criteria resemble the information that needs to be obtained before negotiations takes place as stated above by Gale and Luo (2004). This underlines the usefulness of gathering this information beforehand. Furthermore to aid the communication between both partners a common language is important (respondent X).

For Vascobelo, as for every other company, it shows that choosing the right partner is key to JV success. For Vascobelo in particular it is important to also add the brand equity aspect into the research. Therefore it is important to add information on the market positioning of the potential partner. This is used to assess if the potential partner is able to reach the high standards demanded by Vascobelo in terms of brand positioning. All these criteria should be checked and used to form a good assessment of the potential partner and should be considered when selecting a partner.

Partner selection is the most obvious factor in determining the success of a joint venture. However because of this obvious character caution is advised as laxity in the research on the potential partner might lead to unpleasant surprises afterwards. But with the proper amount of work done before heading into partnering negotiations these pitfalls can be avoided and the right partner can be found.
5.4 Designing the partnership

When a partner is found the next phase in the joint venture life cycle has to be overcome. The partnership has to be translated from oral agreements to cooperate into legal joint venture documents. Before an agreement is signed a clear identification of both partners objectives should be established (Gale & Luo, 2004). In many cases the main objectives of both parties will be complementary. However especially during the period from initial contact until signing the JV agreement it is important to identify both parties’ main objectives. If the objectives of both parties start to deviate from each other this is a warning sign of opportunistic behavior of one or both parties and should be suppressed and discussed. Major deviations in the objectives of both partners can lead to unnecessary conflicts during the management and operation of the JV and might even cause failure of the JV (Dymsza, 1988).

The one thing that should be done from the first moment of contact with the potential partner is build trust. The building of trust between the partners is determinative for the rest of the joint venture. Trust should be built during the design phase and during the negotiations by unilateral commitments that underscore the importance of the JV and the company’s trustworthiness. As outlined by Hoffmann and Schlosser (2001) a lack of trust in the future of the joint venture can endanger the success. A lack of trust can lead to the set-up of costly safe guards against opportunistic behaviors, leading to increased transaction costs.

Once both parties agree to cooperate and both have faith in a successful cooperation the joint venture agreement needs to be signed. A joint venture agreement acts as an important factor in supervising, regulating and guaranteeing both parties’ rights, responsibilities and duties (Gale & Luo, 2004; Dymsza, 1988; Hammoutene, 1995). A basic joint venture collaboration agreement should include: “specific markets, geographic areas and target groups, and should define the participants’ respective duties as well as the distribution of profits and losses, and the rights to utilize the output of joint efforts (e.g. patents)” (Hoffmann & Schlosser, 2001, p. 372). The control of majority ownership of the capital is also a success factor for both Chinese and foreign partners and should be included in the agreement as well. Although a slight difference in the importance of the factor can be seen. The Chinese partner rates this factor as slightly more important. This implies that the Chinese partner might be more concerned with the proportion of equity share than the foreign partner (Luo J., 1998; Luo & Gale, 1999).

The practical research revealed that the respondents had a clear and concise vision of the objectives from both parties before any agreements were signed. Furthermore some specific targets were set for the joint venture and then a joint venture agreement was signed. This is in line with the theory described above.

It is clear that the success factors stated above are applicable to Vascobelo and should be considered when designing the partnership. First off the objectives of both partners should be established. These objectives are best set apart from each other and discussed afterwards. This is important for both parties and should be closely monitored during the negotiation phase.

As Vascobelo is entering into a JV with a Hong Kong partner the building of trust is very important because Asian countries are known for their trust-based relationships. This trust can for example be built by personal visits from the CEO (a high ranked personal visit is an important sign of respect for
the partner), gift giving during visits, respect for the culture or attending an informal lunch (Flanders Investment and Trade, 2012). A lack of trust can lead to set-up of costly safeguards against opportunistic behavior, leading to increased transaction costs (Hoffmann & Schlosser, 2001).

For Vascobelo it is furthermore advisable to include some brand equity measures in the JV agreement, e.g. marketing strategy control or brand equity control. It is not necessary to formally include brand equity in the JV agreements but there should at least be consensus between the partners on the control of ownership and positioning of the brand in the foreign market. The goal of a joint venture agreement is to avoid conflicts from the outset by establishing a clear identification of partner’s objectives, precise targets and task definitions (Hoffmann & Schlosser, 2001). As conflicts reduce efficiency, subvert thrust between partners which in the end results in extra costs for conflict resolution.

The agreement can now be signed and the joint venture is officially underway once both parties agree on the legal terms in the joint venture collaboration agreement. Once the agreement is signed a big hurdle is taken but there are still more to come. It is now time to get the joint venture underway.

5.5 Implementation and management of the partnership

When starting a joint venture with a foreign partner and especially from a culture as different as the Asian, it is good to realize that the JV partner will have a different management culture. Differences in managerial style, corporate culture and business culture can lead to conflicts and instability (Dymsza, 1988; Datta, 1988; Peterson & Shimada, 1978; Wright, 1981). Many foreign companies, especially those from Western countries have still adopted a “wait and see” approach, because of widespread worries about the language barrier, unfamiliarly different culture and political risks (Gale & Luo, 2004). However if these factors are taken into account and foreign managers are constantly aware that these differences exist and that doing business with China is different from that in their own country these risks can be mitigated (Gale & Luo, 2004).

The next step in the management phase of the joint venture is coming up with the required resources as agreed upon in the JV agreement. This means determining the tangible and intangible assets, employees and financial funds required (Hoffmann & Schlosser, 2001). For a joint venture it is important to decide whether the assets become mutually owned or remain property of the individual owner (Hoffmann & Schlosser, 2001). It is important to note that the benefit of the JV will depend on the quality and quantity of the input by all participants (Hoffmann & Schlosser, 2001). Therefore it is very important that any opportunistic behavior in the early stages of negotiations should be prevented to ensure both parties’ full engagement in the joint venture.

Once the commitments to each other are made and the joint venture is underway the first joint project has to be started. This project will be characteristic for the course of the JV as early, measurable, success will strengthen the ties (Hoffmann & Schlosser, 2001). From the outset it should also be noted that a JV with a Chinese or Hong Kong partner should be established as a long term cooperation rather than short term profit. Chinese partners expect long term cooperation and benefits of the JV (Gale & Luo, 2004).

The questionnaire results underline the theoretical results and confirm the theoretical success factors. As the studied JV is a sales joint venture the control of ownership is narrowly divided. But
the partners did make some agreements beforehand to avoid conflicts or provide guidance in case of conflicts. What is interesting to note is that the product was not adjusted to the local Asian market. Even though the Belgian company is a small company and only opening up one store in Hong Kong. This shows that there is a market for Belgian quality products in Hong Kong as the JV is successful and sales targets are met. This shows that there is also a market for Vascobelo in Hong Kong.

Realizing that the partner will have a different management culture is an important factor to keep in mind. But at Vascobelo this awareness is already present as CEO Jan de Roeck has ample experience working in foreign countries and with employees from different nationalities. Therefore Jan can constantly indicate the importance of realizing that doing business in foreign countries is different from the home market to his employees. As long as Vascobelo keeps this flexible attitude and learns to understand the values of different cultures (Gale & Luo, 2004) there are no problems to be foreseen here. Furthermore the control of ownership is indicated as a success factor. However as Vascobelo is interested in a sales joint venture this is less of an issue. The products are supplied by Vascobelo and the JV partner provides the local services in order to sell the products. However the funds for starting a first project will have to be supplied to get the JV underway. Usually this first project requires a significant investment e.g. to build up stock, marketing or promotion material. Therefore this first project doesn’t have to be complex or big. Preferable a smaller, less complicated project should be undertaken to get a feeling for the other partner, let the employees work together and see the joint venture come to life. This project is aimed at building confidence and convinces any skeptics left. It is important to get everybody in the company on board and to support the JV, especially in a small company as Vascobelo. An important task is reserved for the CEO in this respect to ensure all activities are aligned and both parties are satisfied with the progress.

From this point in time the day-to-day activities of the joint venture are performed. A JV with an Asia Pacific partner is fairly similar to running a JV with a local partner, if the aforementioned differences in management style between the partners are considered and taken into account.

5.6 Termination of the partnership
A final stage in the joint venture process is the termination of the joint venture. There are no statistically significant factors affecting the success or failure of a JV in this phase but it is noteworthy to mention. Especially as Vascobelo aspires a JV with an Asian partner it is important for the partner not to lose reputation upon termination. To prevent this loss of reputation it is important that both partners agree upon the termination and both partners are completely informed and treated respectfully. It is wise to already prepare for termination in the design phase. If the prerequisites and conditions for the termination are already defined in the design phase this will prevent disagreement at the moment of termination (Hoffmann & Schlosser, 2001).
5.7 Success factors summarized

Table 5.1 shows the success factors mentioned in this chapter in a summarized view. These are the statistically significant success factors found in literature and applicable to Vascobelo.

Table 5.1 Critical international joint venture success factors (Gale & Luo, 2004; Hoffmann & Schlosser, 2001)

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Strategic analysis and decision to cooperate</th>
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<tbody>
<tr>
<td></td>
<td>Derive the alliance objectives from the business strategy.</td>
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<tr>
<td></td>
<td>Contribute specific strengths and look for complementary (of similar) resources in the JV partner.</td>
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<th>Phase 2</th>
<th>Search for a partner and partner selection</th>
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<td></td>
<td>Obtain enough information about a potential partner before negotiations.</td>
</tr>
<tr>
<td></td>
<td>Select a suitable partner.</td>
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<tr>
<th>Phase 3</th>
<th>Designing the partnership</th>
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<tbody>
<tr>
<td></td>
<td>Establish a clear view of the partner’s objectives before signing the JV agreement.</td>
</tr>
<tr>
<td></td>
<td>Establish a precise definition of rights and duties of both parties to minimize the need for control.</td>
</tr>
<tr>
<td></td>
<td>Compose a clear statement of the joint venture agreement to ensure both partners’ rights, responsibilities and benefits.</td>
</tr>
<tr>
<td></td>
<td>Determine control of the majority ownership of the capital.</td>
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<tr>
<th>Phase 4</th>
<th>Implementation and management of the partnership</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Come up with the required resources needed for start-up.</td>
</tr>
<tr>
<td></td>
<td>Ensure speedy implementation of measures and fast results on the initial project.</td>
</tr>
<tr>
<td></td>
<td>Perception should be compatible with partner’s management culture at the later stage of JV operation.</td>
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<tr>
<td></td>
<td>Long-term commitment to cooperate with the partner.</td>
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The success factors mentioned in this chapter cannot guarantee the success of an international sales joint venture but they will increase the chance the JV has on becoming successful, based on the state of the art in the field of international joint ventures.

5.8 Reflection

The success factors in this chapter are based on literature findings from past research. De guidelines are clear and should be considered to increase the chance for a successful joint venture. Some factors are elaborated on to make them as specific as possible for Vascobelo. These factors are critical to ensure the proper transfer of the values of Vascobelo to the partner.

One of the most striking findings during the period working within Vascobelo is the global focus the company has. What already stands out from the success factors in this chapter is that little success factors need adaptation to make them appropriate for Vascobelo, in other words Vascobelo is very well focused on internationalization. This focus on internationalization is one of the key elements of a born-global company and clearly noticeable within the company. The experience Jan de Roeck has as an entrepreneur is very valuable in this regard and represented well in the atmosphere of the company. During meetings this vision and experience is shared and passed on to the employees to ensure a corporate belief in these values and the mission of Vascobelo. This corporate belief in the vision and future of Vascobelo is what builds the international atmosphere in the company.
I think this atmosphere and belief in cooperation and joint ventures to ensure company growth is a very important base to start the search and negotiations with a potential partner. It also shows the company has thought about internationalization and how it can help the company. The need to cooperate and the ambition to grow are highlighted in the business strategy (Meijer & De Roeck, 2012). Also the awareness of its own strengths and weaknesses is essential to be able to look for complementary (of similar) resources in the JV partner. This shows Vascobelo already performed the first success factors on its way to international joint venture success.
6 Conclusion and discussion

This report started with the vision of Jan De Roeck of Vascobelo, as an entrepreneur Jan saw opportunities for Vascobelo in emerging markets. These markets were researched and different business opportunities arose. Locally Vascobelo has established a premium coffee brand in Belgium, based on product quality, marketing and pricing. This brand equity is one of the important intangible assets that defines the company and is a strategic advantage in foreign markets. In order to exploit this strategic advantage the brand equity has to be transferred to these markets. Therefore the research question throughout this research is how can Vascobelo best implement an international sales joint venture while simultaneously expand their brand equity internationally?

Table 6.1 Critical international joint venture success factors (Gale & Luo, 2004; Hoffmann & Schlosser, 2001)

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As a general conclusion on the joint venture part of the research question Table 6.1 can be given. This table shows a summary of the international joint venture success factors applicable to Vascobelo. On a more detailed level there are a few success factors that are of special interest to Vascobelo. These success factors have proven to be critical success factors in the report by Hoffmann and Schlosser (2001). Ranking the order of importance is not possible as the order of importance is dependent on the progress of the JV. The success factors given relate to different phases in the joint venture life cycle.

One of the most important success factor for Vascobelo is Establish a precise definition of rights and duties of both parties to minimize the need for control. This factor is often overlooked during the design of the partnership and the day-to-day activities of the company. However this factor has far reaching consequences as conflicts reduce efficiency and subvert trust between partners. A second important factor to consider is Contribute specific strengths and look for complementary (or similar) resources in the JV partner. Vascobelo should consider their own strengths and weaknesses during
the strategic analyses and decision to cooperate phase. Based on their own strengths they must have something to offer a JV partner and seek complementary or similar resources for transferring or pooling resources with that partner. The third factor of importance to Vascobelo is *Come up with the required resources needed for start-up*. After all negotiations have taken place and the JV agreement is signed the joint venture needs to get underway. It is in this critical phase that investments need to be made. Especially for a startup as Vascobelo with limited funds these are significant investments. However the benefit of the joint venture depends on the quality and quantity of the input by all parties. All in all these success factors will help Vascobelo to engage in a successful joint venture. As the success factors presented are applicable to Vascobelo they provide a guide in answering the research question.

The second part of the research question is on brand equity. It can be concluded that brand equity should be included in every stage of the joint venture. From the outset of a joint venture on into the negotiation phase and even the termination phase, a strong emphasis should be made on brand equity. As this brand equity, together with the quality of the product, is what diversifies Vascobelo as a premium brand. It is the driving force that provides Vascobelo with a competitive advantage (Griffith & Ryans, 1997). This strong emphasis is needed to ensure that the joint venture partner shares the same vision of the brand as Vascobelo itself and the brand essence, identity and values of the heritage brand are retained abroad (Melewar & Walker, 2003). The strong Belgian brand equity and the perceived brand foreignness (Batra, Ramaswamy, Alden, & Steenkamp, 2000) back the premium brand and also the premium pricing strategy in the Asian market.

To conclude using the success factors mentioned above Vascobelo has a rationale to implement an international sales joint venture whilst at the same time expand their brand equity by gaining international recognition and brand awareness. When the joint venture is successful it will expand the customer base, deliver valuable internationalization experience, expand the brand equity and ultimately lead to company growth.

### 6.1 Reflection

The research was initiated by the entrepreneurial opportunities seen by Jan de Roeck; these opportunities presented managerial challenges that needed to be overcome. This report presents the results of a thesis research done in order to answer the questions stated by Jan and Vascobelo. This paragraph presents a reflection on the research, the respondents, the results found in literature and the synthesis between them.

In order to answer the research question an assessment of Hong Kong as business opportunity was made in chapter 1.2. From this assessment it follows that Hong Kong is indeed a good starting point for export to the Asia Pacific. There are a few benefits to Hong Kong as an export country in Asia. One is the favorable tax climate and legal convention with Belgium, which is beneficial for Belgian companies exporting to Hong Kong. The ability to enter the rest of the Asia Pacific market from Hong Kong also presents tremendous business opportunities, as indicated by respondent X: “Hong Kong is the trend setter in China. People in China will believe in the brand more if it is started in Hong Kong first”. For entry in the Hong Kong market several traits of the Hong Kong residents are in favor of Vascobelo. The low uncertainty avoidance means that they are willing to try new products; together with the perceived brand foreignness this is favorable when entering new markets. Also the gift giving culture of the Chinese can be used in Vascobelo’s advantage. For instance certain Vascobelo
products can be offered in a gift package; here the Belgian heritage can also be played to maximize the perceived brand foreignness. The proficiency to use computer based platforms can also be used as an advantage. For example an internet store can be opened specific for the Hong Kong market, or a telephone app can be introduced, all to make the shopping experience as convenient as possible. Another option might be to include several country specific traits, to present an automated delivery service. This service might entail the monthly delivery of a package of coffee beans in order to overcome the shortage of storage space, to establish a recurring customer base, and can even be integrated with a telephone app.

The second issue raised is what entry strategy to pursue when entering into a foreign market. Vascobelo came up with a joint venture as the ideal entry method. This decision is made based on being able to tap into the market knowledge of a local partner and reduce the liabilities involved. During the research into Hong Kong joint ventures it became clear that a joint venture is not a customary entry method in Hong Kong. Due to local legislation rules it is, for most companies, advantageous to start their own subsidiary instead of a joint venture. However as Vascobelo is a start-up company the necessary funding lacks to start their own subsidiary, as indicated in chapter 2.1.1 Vascobelo uses the leverage of a joint venture partner to overcome this lack of funding. Therefore a joint venture is the only feasible entry method for Vascobelo given the current business restrictions.

A hot item for Vascobelo is the brand equity. It is carefully built up during the years of operation in Belgium and now it has to be transferred to a foreign market. As explained in the brand equity chapter (2.3), it is a difficult topic to grasp and should be assessed per company, per region. Because Vascobelo is pursuing a go-it-alone strategy it is wise to use the same product name across different countries to ensure corporate branding and to maximize the Belgian brand equity. But as highlighted by the example on the logo design it might be wise to include some specific product level brands for specific markets. A specific product level brand might be created if this is absolutely necessary for sales in a specific region of country, as was the case with the logo design in Japan. This product level brand will carry the brand name of Vascobelo but might include a redesigned logo and specific naming scheme designed for that specific market. It is however important that on the corporate level there is a degree of integration across the different markets to expand the so important brand equity.

The international sales joint venture success factors found and elaborated on in chapter 5 are useful for Vascobelo as they provide a rationale for international operation and incorporate the important aspect of brand equity into the joint venture success factors. As already explained in the reflection of chapter 5 it is striking that Vascobelo is so internationally oriented. The success factors from the first phase in a JV life cycle (Strategic analysis and decision to cooperate) are already present at Vascobelo. This is exemplary for a born-global company but noteworthy nonetheless.

The most important success factor mentioned by the questionnaire respondents is trustworthiness. It is an interesting success factor because there is ambiguity whether or not it is a critical success factor. A difference should be made between trusting a partner before negotiations and trust in the partner during the execution of the joint venture. As noted by Hoffmann and Schlosser (2001) good personal relations and trust between the partners are really only a prerequisite for co-operation. Building on good personal relations, alliances need to be professionally planned and organized for
the full potential of the co-operation to be realized. “Professional alliance management is particularly characterized by systematic analysis and configuration, quick and consistent implementation of joint plans, and a continuous review of alliance performance that allows for timely adjustments in alliance strategy and configuration (Hoffmann & Schlosser, 2001, p. 372)”. Once a joint venture is underway trust should be established between the partners to ensure proper operation of the joint venture. The respondents refer to this trust between partners during the day-to-day operation of the JV.

The theoretical implications that can be derived from this research are on the interplay between the fields of marketing management and internationalization. Both fields are well represented in the literature but there is still a gap between these fields. Vascobelo is a company who aims to internationalize but is dependent on their brand equity for their sales. This poses a difficult question: How to expand the Belgian brand equity whilst internationalizing? This question is answered in this thesis and the theoretical answers found are as follows.

The concept of brand equity is hard to grasp and quantify and different in every branch and every country. This makes the current literature on brand equity hard to generalize over countries, let alone continents. However some guidelines found in the literature are generalizable for Vascobelo. The main point that is made is that brand equity is interwoven with the whole joint venture process. From the start of a joint venture, even from the point of deriving the alliance objectives from the business strategy, brand equity should be considered. As also indicated by the questionnaire respondents, brand equity is fundamental for the company and therefore should also be represented by the joint venture partner. It is dependent on the JV partner to represent the brand equity of Vascobelo properly. It can be controlled to a certain extent by keeping the control of the marketing and product design in Vascobelo’s hands. But there will always be an uncontrollable part and this is up to the Asian partner to represent. Hence the importance of partner selection.

Further, this study shows the applicability of the international joint venture success factors to premium startup food and beverage companies. These companies are similar in design to Vascobelo and therefore the conclusions drawn in this thesis are also applicable. Born-global companies can also draw conclusions from this thesis as Vascobelo is a born-global company with the ambitions to grow internationally. This study shows that born global companies have different means to the start of internationalization processes. But once the decision to internationalize is made and the appropriate entry mode is chosen the remainder of the internationalization phases are followed in the same manner as a ‘traditional’ company. A premium born-global company can thus use the success factors described in this research as a guideline to their own international sales joint venture. Especially if they are a company highly dependent on brand equity.
Bibliography


Appendix I Interview questions
Based on the success factors from the theory chapter (chapter 2) the following questions are sent to the selected companies in order to ensure generalizability of the success factors from the literature to Vascobelo.

Questions as sent to the contacts
Dear Sir/ Madam,

As corresponded by email earlier I would like to ask you some questions regarding international sales joint ventures for my master thesis research.

As you know there are some important topics in forming an International Sales Joint Venture (ISJV). One of the interesting topics is preserving the local brand equity. The brand equity is the value of having a well-known brand name, based on the idea that the owner of a well-known brand name can generate more money from products with that brand name than from products with a less well-known name, as consumers believe that a product with a well-known name is better than products with less well-known names.

The joint venture of interest for this research is a sales and/ or marketing joint venture i.e. the target of the joint venture is to sell/ promote your Dutch or Belgian product(s) in Hong Kong/ China. Especially in international joint ventures these are difficult topics and I would like to ask your input on this in the following questions.

The result of this research will be a practical dos and don’ts guide on setting up a sales joint venture in Hong Kong, off course this guide will also be sent to you. Your help is greatly appreciated and all data will be handled with strict confidentiality. If any questions about my research or these questions remain please do not hesitate to contact me.

Best regards Frank Nak
f.nak@student.tue.nl

1) Background questions
   a) When did the ISJV start?
   b) Why was Hong Kong/ China chosen as joint venture location?
   c) What has been the purpose or goal of the joint venture?
   d) Why did you choose for a joint venture instead of going alone?

2) Strategic analysis and decision to co-operate
   a) Were the joint venture objectives derived from the business strategy? If yes, to what extent?
      If no, how were the objectives derived?

3) Search for a partner and joint venture selection
   a) What criteria did you use in selecting your partners?
   b) Has brand equity been of influence during the partner selection process?
4) Designing the joint venture
   a) Are precise targets and task definitions defined by contract? If yes, is this sufficient to avoid conflicts? If no, does this create conflicts?
   b) Is brand equity represented in the ISJV contract? If yes, how and to what level is this specified in the contract?
   c) Is there a minimum or maximum duration specified for the joint venture? If so, what is this specified duration?

5) Implementation and management of the joint venture
   a) Are there milestones used to evaluate the performance of the joint venture? If yes, what key performance indicators did you use?
   b) How is the control of ownership divided? What tasks are the responsibilities of the Dutch or Belgian company and what tasks is the responsibility of the Hong Kong partner?
   c) Who has the final say on questions relating to brand equity?
   d) Has the brand been adjusted for the Hong Kong market? If yes, how?
   e) How is the marketing adjusted for the Hong Kong market strategy?

6) Concluding question
   a) Overall, is the joint venture perceived as successful?
   b) Is the brand equity properly represented in Hong Kong/China by the joint venture partner?
   c) What do you consider as most important success factors in this joint venture?
   d) As final question, do you know any other of your business relations involved in sales joint ventures in Hong Kong, China who would be willing to answer these questions?
Appendix II Case study database
This case study database contains the answers to the case study questions as provided by the respondents. The answers are directly copied from the conversation and unedited to provide a view of the raw data in order to enhance the reliability (Yin, 2009). However they are edited to preserve anonymity.

Hong Kong joint venture partner, respondent X
Respondent X
2012/11/17, Hong Kong

1. Background questions
   a. When did the ISJV start?
      Contract signed in Sep 2009 and business started operation in Feb 2010
   b. Why was Hong Kong/ China chosen as joint venture location?
      Hong Kong being the center of the Asia Pacific, and with easy access to the vast market in China. Also very important is Hong Kong is the trend setter in China. People in China will believe in the Brand more if it is started in Hong Kong first.
   c. What has been the purpose or goal of the joint venture?
      To defend the reputation of Belgian Chocolates (most top end chocolate brand in Hong Kong are with French origin) and also to expand the business in Asia.
   d. Why did you choose for a joint venture instead of going alone?
      Having a joint venture partner is to avoid unnecessary mistakes when penetrating the market. Also the joint venture partner will have a much better understanding on the requirement of products, e.g., the biggest market for chocolate in Asia is as gift and not as a confectionary for eating.

2. Strategic analysis and decision to co-operate
   a. Were the joint venture objectives derived from the business strategy? If yes, to what extent? If no, how were the objectives derived?
      The objectives are simple: to sell and to promote the brand. The basic strategy is to have a [company name] “shop” in Hong Kong as the first step

3. Search for a partner and joint venture selection
   a. What criteria did you use in selecting your partners?
      Passion: must respect chocolate, it is not just a product. Communication: must speak a common language fluently. Background: reliable and with good business sense and knowledge. Culture: understanding and agree to the core values of [company name]. Most important criteria is trustworthy.
   b. Has brand equity been of influence during the partner selection process?
      Yes
4. **Designing the joint venture**
   a. Are precise targets and task definitions defined by contract? If yes, is this sufficient to avoid conflicts? If no, does this create conflicts?
      Only some sales target was set, there is no other precise targets or task definition, or any special clause. There has been no conflict.
   b. Is brand equity represented in the ISJV contract? If yes, how and to what level is this specified in the contract?
      No
   c. Is there a minimum or maximum duration specified for the joint venture? If so, what is this specified duration?
      Min. 5 years, no max

5. **Implementation and management of the joint venture**
   a. Are there milestones used to evaluate the performance of the joint venture? If yes, what key performance indicators did you use?
      Only sales target
   b. How is the control of ownership divided? What tasks are the responsibilities of the Dutch or Belgian company and what tasks is the responsibility of the Hong Kong partner?
      The control is 100% on Hong Kong Partner. Belgium supply chocolates and Hong Kong Partner buy and sell and establish Brand awareness in the market
   c. Who has the final say on questions relating to brand equity?
      [company name] Belgium
   d. Has the brand been adjusted for the Hong Kong market? If yes, how?
      No
   e. How is the marketing adjusted for the Hong Kong market strategy?
      In Belgium, [company name] established for over 55 years. In Hong Kong, significant effort has been spent on promoting the Brand.

6. **Concluding question**
   a. Overall, is the joint venture perceived as successful?
      Yes
   b. Is the brand equity properly represented in Hong Kong/ China by the joint venture partner?
      Extremely well
   c. What do you consider as most important success factors in this joint venture?
      Trust
   d. As final question, do you know any other of your business relations involved in sales joint ventures in Hong Kong, China who would be willing to answer these questions?
      Sorry, no.
Belgian joint venture partner, respondent Y
Contact with the Belgian partner was conducted on several occasions, by phone, personal visit and also by email. Below is a compilation of these interviews. The questions already answered by the Hong Kong partner were not included in the interview with the Belgian partner.

Respondent Y
2012/11/21, Antwerp

1. Background questions
   a. Why was Hong Kong/ China chosen as joint venture location?
      Hong Kong was chosen as a joint venture location because of the market opportunities for high end Belgian products. The possibility of entering the Chinese market when the time is right was also included in the decision.
   b. What has been the purpose or goal of the joint venture?
      The main purpose of the joint venture is to increase sales for the company by expanding the company internationally.
   c. Why did you choose for a joint venture instead of going alone?
      The joint venture is chosen because of the lack of resources to start up and own subsidiary. A joint venture also brings more commitment from the partner. It is difficult to control a person who is working in Asia from Belgium. With a joint venture the partner has more commitment to the company and to perform well.

2. Strategic analysis and decision to co-operate
   a. Were the joint venture objectives derived from the business strategy? If yes, to what extent? If no, how were the objectives derived?
      The objectives were simple: to sell products and to promote the brand. The first action was to open a proprietary shop in Hong Kong to sell the Belgian products.

3. Search for a partner and joint venture selection
   a. What criteria did you use in selecting your partners?
      The goal was to find a trustworthy candidate who was capable of setting up and running the local shop.
   b. Has brand equity been of influence during the partner selection process?
      Yes

4. Designing the joint venture
   a. Are precise targets and task definitions defined by contract? If yes, is this sufficient to avoid conflicts? If no, does this create conflicts?
      The only targets defined in a formal way are sales targets. The partner has to sell a certain amount in order to fulfill his part of the joint venture. There are no conflicts as the sales targets are made.
   b. Is brand equity represented in the ISJV contract? If yes, how and to what level is this specified in the contract?
      Only sales targets are set and the brand equity is the responsibility of the company owner.
   c. Is there a minimum or maximum duration specified for the joint venture? If so, what is this specified duration?
      An ongoing contract with a minimum duration of 5 years.
5. Implementation and management of the joint venture
   a. Are there milestones used to evaluate the performance of the joint venture? If yes, what key performance indicators did you use?
      The monthly sales figures are used as milestones and compared to the set goals in the agreement.
   b. How is the control of ownership divided? What tasks are the responsibilities of the Dutch or Belgian company and what tasks is the responsibility of the Hong Kong partner?
      The Belgian company is responsible for the brand and responsible to provide the products and the Hong Kong partner is responsible for the joint venture sales figures.
   c. Who has the final say on questions relating to brand equity?
      The Belgian partner
   d. Has the brand been adjusted for the Hong Kong market? If yes, how?
      No, the brand is strong in Belgium and will be exported as a Belgian brand thus not changed for the Asian Pacific market.
   e. How is the marketing adjusted for the Hong Kong market strategy?
      The marketing is the responsibility of the Hong Kong partner, however the partner is not allowed to change the product. The partner is only allowed to adjust the marketing strategy to the Asian market.

6. Concluding question
   a. Overall, is the joint venture perceived as successful?
      Yes the joint venture is successful and the sales targets are made.
   b. Is the brand equity properly represented in Hong Kong/ China by the joint venture partner?
      Yes the brand marketed as a premium Belgian brand and seen as the best of the Western world.
   c. What do you consider as most important success factors in this joint venture?
      Trust in the partner